



BP CANADA LIMITED

and

BP OIL AND GAS LTD.

Proposed Amalgamation

1972

**Directors of
BP Canada Limited**

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D. F. MITCHELL – Montreal
J. H. MOORE – London, Ontario
Hon. M. SAUVÉ, P.C. – Montreal
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DEREK F. MITCHELL
President, BP CANADA LIMITED
Chairman, BP OIL AND GAS LTD.

Montreal,
September 21, 1972

To The Preference and Common Shareholders of BP Canada Limited and
The Shareholders of BP Oil and Gas Ltd.

Dear Shareholder,

As you are aware, BP Canada Limited is owned 79.8% by BP Canadian Holdings Limited, a wholly owned subsidiary of The British Petroleum Company Limited, London, England, and BP Oil and Gas Ltd. is owned 65.9% by BP Canada. There are thus two separate groups of public shareholders in the BP Canadian Group holding respectively 20.2% of the outstanding shares of BP Canada and 34.1% of the outstanding shares of BP Oil and Gas.

As President of BP Canada and Chairman of BP Oil and Gas, I wish you to know that your respective Boards of Directors have been concerned, since they have responsibilities to two different groups of public shareholders, with the continuing and difficult problem of serving both interests equitably.

Your boards are also concerned that events may occur as a result of which one group of public shareholders may benefit more than the other group. As an example, while BP Oil and Gas and BP Canada have many joint exploration interests, particularly in the frontier exploration areas of the North and the Eastcoast offshore, in other areas of exploration their interests are not common since both companies have separate exploration and production properties. The benefit of exploration successes on the separate properties of BP Canada would accrue only to the shareholders of that company and not to the shareholders of BP Oil and Gas. On the other hand, the shareholders of BP Canada would benefit from exploration successes on the joint interest properties as well as on the separate properties of BP Oil and Gas by virtue of BP Canada's shareholding in BP Oil and Gas.

To resolve these problems, both boards have concluded that it would be desirable, and in the interests of all shareholders, to amalgamate the two companies. Not only will this ensure that both present groups of public shareholders participate equitably along with the controlling shareholder in the operations of the BP Group in Canada but it will result in a fully integrated company with a stronger financial base for future growth and development.

The directors of both companies believe that the proposed basis of conversion of shares—i.e. one common share of BP Canada being the equivalent of 2½ shares of BP Oil and Gas, resulting in the public holding about 34.4% of the equity of the amalgamated company—is a fair

one for effecting the merger of the companies. To assist them in determining this basis, BP Oil and Gas retained Greenshields Incorporated and BP Canada retained Wood Gundy Limited as advisers, each being asked to give special reference to the interests of the respective public shareholders. The companies have received opinions from these firms that they both consider that the terms of the proposed amalgamation are fair and reasonable to both groups of public shareholders.

It is intended that the amalgamated company will be named BP Canada Limited and that its Executive Office will be in Montreal. The management of the exploration and production activities will be located in Calgary.

I urge you to study carefully the enclosed documents preparatory to the meetings of the shareholders of both companies which will be held in Toronto on October 17, 1972, to consider this important matter. If you cannot attend in person, I hope you will be represented at the meeting by completing and returning the enclosed proxy.

Your respective Boards of Directors recommend approval of the amalgamation on the terms proposed.

Yours very truly,

D. F. MITCHELL

BP CANADA LIMITED

and

BP OIL AND GAS LTD.

Information Circular

dated September 14, 1972

for

General Meetings of Shareholders

October 17, 1972

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BP CANADA LIMITED
and
BP OIL AND GAS LTD.

September 14, 1972

Information Circular

This Information Circular is furnished in connection with the solicitation of proxies by the managements of BP Canada Limited ("BP Canada") and BP Oil and Gas Ltd. ("BPOG") for use at the respective general meetings of shareholders of BP Canada and BPOG to be held on October 17, 1972.

THE COMPANIES

BP Canada is a public Ontario corporation controlled by BP Canadian Holdings Limited which owns approximately 79.8% of its outstanding common shares. BPOG is a public Alberta corporation controlled by BP Canada which holds approximately 65.9% of its outstanding shares. The shares of both companies are listed on the Toronto and Montreal stock exchanges and the shares of BPOG are also listed on the Calgary and Vancouver stock exchanges.

THE PROPOSED AMALGAMATION

It is proposed that BP Canada and BPOG should be amalgamated and continued as one corporation (the "Amalgamated Corporation") on a basis which recognizes that one common share of BP Canada is equivalent to 2½ present shares of BPOG. To carry out the amalgamation on this basis, two preliminary steps are required. First, it is proposed that BPOG should apply for a certificate of continuation under The Business Corporations Act (Ontario) constituting it as an Ontario corporation so that the amalgamation can be effected under the law of Ontario. Second, to meet certain technical requirements of the Income Tax Act (Canada) it is proposed that the presently outstanding shares without nominal or par value of BPOG should be consolidated on the basis of one new common share without par value for each 2½ presently outstanding shares. The proposed Amalgamation Agreement (which appears as Appendix A to this circular) then provides for the conversion of the presently outstanding common shares without par value of BP Canada into common shares without par value of the Amalgamated Corporation on a one-for-one basis and for the conversion of the new (consolidated) common shares of BPOG (except those held by BP Canada) into common shares without par value of the Amalgamated Corporation on a one-for-one basis. The shares of BPOG held by BP Canada will be cancelled on the amalgamation. In the result, the present minority shareholders of the two companies will have an aggregate minority interest of approximately 34.4% in the Amalgamated Corporation and BP Canadian Holdings Limited will have a controlling interest of approximately 65.6%.

It is also proposed that the presently outstanding 5% Cumulative Redeemable Sinking Fund Preference Shares of BP Canada would be converted on a one-for-one basis into identical preference shares of the Amalgamated Corporation.

Since BP Canada controls BPOG, all the directors of BPOG may be said to be nominees of BP Canada. In these circumstances, BPOG retained Greenshields Incorporated ("Greenshields") to advise it with respect to the basis of amalgamation and BP Canada retained Wood Gundy Limited ("Wood Gundy") to advise it in the same connection.

The directors of both companies are unanimous in believing that it is in the best interests of the shareholders of both companies that the companies should be amalgamated and they also believe that the proposed basis of amalgamation fairly reflects the respective interests of the shareholders of each company in the combined enterprise. Among the facts considered in this connection were the existing assets, operations

and earnings of each company and the market values of their respective common shares. Greenshields and Wood Gundy have given opinions to the directors of both companies that they consider the proposed basis of amalgamation to be fair and reasonable to the shareholders of each company.

In the past, Greenshields has acted as a joint underwriter for BPOG, and Greenshields and Wood Gundy have acted as underwriters for and advisers to other Canadian companies in the BP Group. For these services, and for their advice in connection with the proposed amalgamation, Greenshields and Wood Gundy have received customary compensation. Mr. Peter Kilburn, who is a director of BPOG, is also a director and senior officer of Greenshields.

All petroleum and natural gas properties and interests of BPOG are held through wholly-owned subsidiaries, so that BPOG is itself a holding company. The petroleum and natural gas properties and interests of BP Canada are for the most part also held through wholly-owned subsidiaries, as are also its refinery properties. Prior to the amalgamation, BP Canada proposes to transfer all of its marketing assets and business to its wholly-owned marketing subsidiary, BP Oil Limited, in order to consolidate all marketing activities in one company. In the result, the Amalgamated Corporation will be primarily a holding company engaged through wholly-owned subsidiaries in all phases of the petroleum industry in Canada. It will have substantial producing reserves of oil and natural gas, extensive exploration interests in Western Canada, the Canadian Arctic and offshore areas adjacent to Newfoundland, an important share of the refined petroleum products markets in Ontario and Quebec and substantial refinery capacity. Descriptions of the businesses and properties of the amalgamating companies are set out on pages 15 to 26.

SHAREHOLDERS' MEETINGS

The amalgamation proposal is to be submitted to separate meetings of the shareholders of BPOG and BP Canada as follows:

A general meeting of the shareholders of BPOG to be held on Tuesday, October 17, 1972 at 9:30 o'clock in the forenoon (Eastern Daylight Saving Time) at the Cavalier Room, The Westbury Hotel, 475 Yonge Street, Toronto, Ontario;

A general meeting of the shareholders of BP Canada to be held on Tuesday, October 17, 1972 at 2:30 o'clock in the afternoon (Eastern Daylight Saving Time) at the Cavalier Room, The Westbury Hotel, 475 Yonge Street, Toronto, Ontario.

The BPOG Meeting

As indicated in the formal notice thereof, the general meeting of the shareholders of BPOG will deal with the following business:

1. The passing of a special resolution authorizing BPOG to apply to the Minister of Consumer and Commercial Relations of Ontario for a certificate continuing BPOG as if it had been incorporated under The Business Corporations Act (Ontario);

(If the foregoing resolution is passed by three-quarters of the votes cast at the meeting, the meeting will be adjourned for a short interval to permit the application for a certificate of continuation to be filed. Immediately upon the issue of the certificate of continuation, the directors of BPOG will meet and pass the resolution referred to in item 2 below. The shareholders' meeting will then be reconvened.)

2. Confirming, with or without variation, a resolution of the directors of BPOG in the form set out in Appendix B to this circular, amending the articles of BPOG under The Business Corporations Act (Ontario) by, inter alia, consolidating the 27,328,927 issued and outstanding shares without nominal or par value into 10,931,570.8 issued and outstanding common shares without par value on the basis of one such new common share for each 2½ present shares;

(If such resolution of the directors is confirmed, with or without variation, by two-thirds of the votes cast at the adjourned meeting of shareholders, the meeting will be further adjourned for a short interval to permit the application for the amendment of the articles of BPOG to be filed. Immediately upon the issue of the articles of amendment, the directors of BPOG will again meet and pass a resolution approving the Amalgamation Agreement and the Amalgamation Agreement will then be executed by BP Canada and BPOG. The general meeting of the shareholders of BPOG will then be reconvened.)

3. Confirming, with or without variation, the resolution of the directors of BPOG approving the Amalgamation Agreement.

To confirm the foregoing resolution of the directors, the affirmative vote of at least two-thirds of the votes cast thereon at the meeting is required.

The BP Canada Meeting

As indicated in the formal notice thereof, the general meeting of the shareholders of BP Canada will deal with the following business:

1. Confirming, with or without variation, the resolution passed by the directors of BP Canada on September 14, 1972 authorizing the transfer of all the marketing business and assets of BP Canada to its wholly-owned subsidiary, BP Oil Limited, pursuant to an agreement dated the 14th day of September, 1972 between the said two companies; and
 2. Confirming, with or without variation, the resolution passed by the directors of BP Canada on September 14, 1972 approving the Amalgamation Agreement.

To confirm each of the said resolutions of the directors, the affirmative vote of at least two-thirds of the votes cast thereon at the meeting is required.

If the Amalgamation Agreement is approved at each of the shareholders' meetings (either in the form of Appendix A to this circular or with such amendments, if any, as may be approved at each of the shareholders' meetings and by the respective boards of directors of BP Canada and BPOG) the companies will file with the Minister of Consumer and Commercial Relations of Ontario the material necessary to obtain a certificate of amalgamation making the amalgamation effective.

Management

THE AMALGAMATED CORPORATION

The Amalgamation Agreement provides for a board of fourteen directors for the Amalgamated Corporation—being the twelve present directors of BP Canada, five of whom are also directors of BPOG, together with two of the other present directors of BPOG. These directors will serve the Amalgamated Corporation until the annual meeting of its shareholders in 1973. Their names, present positions with BP Canada and/or BPOG, the periods during which they have served as directors of BP Canada and/or BPOG, their principal occupations for the past five years and the approximate number of common shares of BP Canada and/or BPOG beneficially owned by them, directly or indirectly, are as follows:

Name and principal occupations during the past five years	Position	Director of BP Canada or BPOG since	Common shares of BP Canada beneficially owned as of September 14, 1972	Present shares of BPOG beneficially owned as of September 14, 1972
R. W. ADAM..... President, BP North America Inc. (petroleum company), prior to June 1969, General Manager, Finance and Planning, BP Chemicals Limited, (chemical company).	Director of BP Canada— a Deputy Chairman and a Managing Director, The British Petroleum Company Limited, (integrated oil company), prior to January 1969, a Managing Director thereof.	1971 1953	nil	nil
A. F. Down, O.B.E., M.C..... Chairman of the Board and Chairman of the Board, BP Canada Limited, prior to February 1972, President, Canadian Pulp and Paper Association.	Director of BP Canada— director of BPOG—	1971	nil	nil
R. M. FOWLER, LL.D., O.C.....	Chairman of the Board and director of BP Canada—	1971	nil	nil

Name and principal occupations during the past five years	Position	Director of BP Canada or BPOG since	Common shares of BP Canada beneficially owned as of September 14, 1972	Present shares of BPOG beneficially owned as of September 14, 1972
R. W. D. HANBIDGE.....Executive Vice-President and Executive Vice-President, BP Canada Limited, prior to December 1971, Executive Vice- President, BP Oil Limited (petroleum marketing).	Executive Vice-President and director of BP Canada— Director of BPOG—	1971 1971	100	235
I. N. MCKINNON, M.B.E., LL.D....Director of BPOG— Chairman of the Board and President, Consolidated Pipe Lines Company.	Director of BPOG—	1970	nil	280
F. A. MCKINNON, D.U.C.....President and President, BP Oil and Gas Ltd., prior to August 1970, Vice- President and General Manager thereof.	President and director of BPOG— Director of BP Canada—	1961 1971	2,000	4,000
D. F. MITCHELL.....President and President, BP Canada Limited, prior to December 1971, President, BP Canadian Holdings Limited (holding company) and BP Oil Limited, (petroleum marketing).	President and director of BP Canada— Chairman of the Board and director of BPOG—	1971 1966	200	700
J. H. MOORE.....Director of BP Canada— Chairman of the Board, John Labatt Limited (brewers), prior to September 1969, Chairman and President thereof. President, Brascan Limited (investment and management company) since September 1969.	Director of BP Canada—	1971	500	200
M. M. PENNELL, C.B.E.....Director of BPOG— a Managing Director, The British Petroleum Company Limited (integrated oil company).	Director of BPOG—	1967	nil	nil
THE HON. M. SAUVÉ, P.C.....Director of BP Canada— Vice-President, Administration, Consolidated Bathurst Limited (pulp and paper manufacturers), prior to July 1968, Minister of Forestry and Rural Development, Government of Canada.	Director of BP Canada—	1971	50	nil
D. E. C. STEEL, D.S.O., M.C.....Director of BP Canada— a Managing Director, The British Petroleum Company Limited (integrated oil company).	Director of BP Canada— Director of BPOG—	1971 1969	nil	nil

Name and principal occupations during the past five years	Position	Director of BP Canada or BPOG since	Common shares of BP Canada beneficially owned as of September 14, 1972	Present shares of BPOG beneficially owned as of September 14, 1972
J. ALLYN TAYLOR..... Chairman and President, Canada Trust, prior to February 1968, President and General Manager thereof.	Director of BP Canada	1967	500	nil
JAMES G. THOMPSON..... President, Corlon Investments Limited (investment company), prior to December 1971, President, Supertest Petroleum Corporation, Limited (now BP Canada).	Director of BP Canada	1955	7,900	nil
P. I. WALTERS..... Director, BP Trading Limited (petroleum company), prior to December 1970, a Senior Executive, The British Petroleum Company Limited (integrated oil company).	Director of BP Canada	1972	nil	nil

Officers

The Amalgamation Agreement provides that the officers of the Amalgamated Corporation, until changed by the board of directors thereof, will be:

Chairman of the Board.....	R. M. Fowler, LL.D., Q.C.
President.....	D. F. Mitchell
Executive Vice-President.....	R. W. D. Hanbidge
Vice-President, Exploration and Production.....	F. A. McKinnon, D.U.C.
Vice-President, Finance, and Treasurer.....	D. C. Smith
Vice-President, Supply and Refining.....	J. A. Barclay
Vice-President, Legal, and Secretary.....	J. Langelier, Q.C.
Vice-President.....	R. W. Mitchell, M.B.E., Q.C.
Assistant Secretaries.....	K. Healy (Montreal) J. I. Rawlinson (Calgary)
Assistant Treasurers.....	K. T. Allison (Calgary) F. D. Pynn (Montreal) C. C. Smith (London, Ontario)

Each of the foregoing is presently an officer of BP Canada or BPOG.

Executive Offices

The Executive Office of the Amalgamated Corporation will be at the City of Montreal, Quebec. The direction and management of exploration and production activities will continue to be based in Calgary.

Remuneration of Directors and Senior Officers

BP Canada in 1971

During the fiscal year ended December 31, 1971, the aggregate direct remuneration paid or payable by BP Canada and its subsidiaries to directors and senior officers of BP Canada was \$633,000 which includes \$160,000 paid to directors and senior officers who did not continue in office after December 23, 1971.

The estimated aggregate cost to BP Canada and its subsidiaries in the year ended December 31, 1971 of all pension benefits proposed to be paid under the pension plans of BP Canada and its subsidiaries in the event of retirement at normal retirement age, directly or indirectly, by BP Canada or any of its subsidiaries to the directors and senior officers of BP Canada was \$39,749 which includes \$12,059 in respect of directors and senior officers who did not continue in office after December 23, 1971.

BPOG in 1971

The aggregate direct remuneration paid or payable by BPOG and its subsidiaries in the fiscal year ended December 31, 1971 to the directors and senior officers of BPOG was \$219,000.

The estimated aggregate cost to BPOG and its subsidiaries in the 1971 fiscal year of all pension or retirement benefits proposed to be paid to the directors and senior officers of BPOG under existing plans in the event of retirement at normal retirement age was \$17,000.

The maximum annual aggregate of all retirement allowances proposed to be paid in the future by BPOG or any of its subsidiaries, pursuant to existing arrangements, to directors or senior officers of BPOG (excluding payments under existing plans and payments to be made for or benefits to be received from group life or accident insurance, group hospitalization or similar group benefits or payments) is \$27,000.

During the fiscal year ended December 31, 1971 options for the purchase of shares of BPOG were granted to and exercised by directors and senior officers of BPOG as shown under the heading "BPOG Share Options" below.

It is contemplated that after the amalgamation the directors and senior officers of the Amalgamated Corporation will be compensated at rates substantially the same as their present compensation by BP Canada or BPOG.

BPOG Share Options

The following are the particulars of share options granted to and exercised by directors and senior officers of BPOG during the fiscal year ended December 31, 1971 and in 1972 to the date of this circular.

	Shares	Date	Price per share	Expiration Date	Price Range for 30 days preceding
Options granted.....	5,000	January 4, 1971	\$5.27	January 4, 1976	\$5.40 to \$5.95
	5,000	January 25, 1971	\$5.31	January 25, 1976	\$5.70 to \$5.95
	<u>10,000</u>				
Options exercised.....	3,000	January 13, 1971	\$3.33		\$5.55 to \$5.95
	3,000	July 22, 1971	\$3.33		\$6.60 to \$7.45
	5,000	September 7, 1971	\$3.33		\$6.75 to \$7.20
	<u>11,000</u>				

All of the above options were granted pursuant to BPOG's Incentive Share Option Plan which was adopted by the board of directors on May 7, 1970. The Plan provides for the granting by the board of directors, or a committee appointed by the board, of options covering an aggregate of 200,000 shares of BPOG as an employment incentive to key employees of BPOG. The option price under the Plan is not less than 90% of the market price of the shares of BPOG on the date of grant and the term of options granted under the Plan is limited to a maximum of 5 years, the exercise thereof being conditional upon employment with BPOG on stated dates or for stated periods as specified by the directors at the time of grant. At the date of this circular options granted under the Plan were outstanding as follows:

Number of Shares of BPOG	Option Price per share	Expiration Date
10,000	\$3.33	July 21, 1974
17,000	3.33	July 21, 1975
5,000	5.27	January 4, 1976
5,000	5.31	January 25, 1976
<u>37,000</u>		

Pursuant to the Amalgamation Agreement (and the consolidation of the present shares of BPOG as above described), the foregoing options will entitle the holders thereof to purchase common shares of the Amalgamated Corporation as follows:

Number of Shares	Option Price per share	Expiration Date
4,000	\$ 8.32½	July 21, 1974
6,800	8.32½	July 21, 1975
2,000	13.17½	January 4, 1976
2,000	13.27½	January 25, 1976
<u>14,800</u>		

Authorized Capital

The authorized capital of the Amalgamated Corporation will consist of 30,000,000 common shares without par value which may be issued for a maximum aggregate consideration of \$200,000,000 (subject to increase from time to time by resolution of the board of directors of the Amalgamated Corporation). The unissued shares (except for those subject to options granted under the Incentive Share Option Plan described on page 8 hereof) may be issued from time to time by the board of directors of the Amalgamated Corporation. While there are no present arrangements or agreements for the issue of the unissued shares, the managements of BP Canada and BPOG consider it desirable that the Amalgamated Corporation should have unissued shares available to provide for future acquisitions of properties or securities of other companies and for other corporate purposes.

Dividend Policy

In the current year, BP Canada has declared and paid a half-yearly dividend of 7½ cents per common share and has declared a quarterly dividend of 3¾ cents per common share to shareholders of record on September 29, 1972. BPOG has never paid any dividends. While the dividend policy of the Amalgamated Corporation is a matter for determination by its board of directors, it is anticipated that dividends will be paid quarterly on the outstanding common shares of the Amalgamated Corporation at not less than an annual rate of 15 cents per share.

Listing of Shares

Applications are being made to list the common shares of the Amalgamated Corporation, including those subject to options, upon the Toronto, Montreal and Vancouver stock exchanges.

CONVERSION AND EXCHANGE OF SHARES

As mentioned above, it is proposed that immediately prior to the amalgamation, the outstanding shares of BPOG will be consolidated on the basis of one new common share without par value for each 2½ present shares. Accordingly, upon the amalgamation becoming effective:

- (a) each outstanding new common share without par value of BPOG, other than those held by BP Canada, will, without any further action on the part of the holder thereof, be converted into one fully paid and non-assessable common share without par value of the Amalgamated Corporation;
- (b) each outstanding common share without par value of BP Canada will, without any further action on the part of the holder thereof, be converted into one fully paid and non-assessable common share without par value of the Amalgamated Corporation;
- (c) each outstanding 5% Cumulative Redeemable Sinking Fund Preference Share with a par value of \$100 each of BP Canada will, without any further action on the part of the holder thereof, be converted into one 5% cumulative redeemable sinking fund preference share with a par value of \$100 each of the Amalgamated Corporation having the same provisions attached thereto as are now attached to the said Preference Shares of BP Canada; and
- (d) the then outstanding options to purchase new common shares of BPOG under the Incentive Share Option Plan of BPOG will continue and will entitle the holders of such options to purchase one common share of the Amalgamated Corporation for each new common share of BPOG that the holders of such options had the right to purchase immediately prior to the amalgamation becoming effective at prices per share increased in the same ratio as that in which the shares of BPOG were consolidated. (See table on page 8.)

If, as expected, the name of the Amalgamated Corporation is "BP Canada Limited" it will not be necessary to issue new certificates for the preference shares and the common shares of the Amalgamated Corporation into which the preference shares and common shares of BP Canada will have been respectively converted since the presently outstanding certificates will correctly reflect both the name of the corporation and the number of preference shares or common shares represented thereby. Certificates for common shares of the Amalgamated Corporation will be issued to the shareholders of BPOG, on the basis above set out, against deposit of their share certificates for presently outstanding shares of BPOG with an exchange agent or agents designated by the Amalgamated Corporation. All shareholders of BPOG will be notified as soon as practicable after the amalgamation becomes effective of the procedure for the deposit and exchange of share certificates.

FRACTIONAL SHARES

No fractions of common shares of the Amalgamated Corporation will be issued but a person entitled to a fraction of a common share will be entitled to receive a bearer fractional certificate in respect of such fraction. A shareholder of BPOG who becomes entitled to a fraction of a new common share of BPOG as a result of the consolidation of its shares as above described will be entitled to the same fraction of a common share of the Amalgamated Corporation. Similarly, any person who is entitled, immediately prior to the amalgamation, to a fraction of a common share of BP Canada will be entitled to the same fraction of a common share of the Amalgamated Corporation.

For the convenience of shareholders, The Canada Trust Company, Toronto, Ontario, will act as their agent, during the period of 90 days following the date upon which the amalgamation becomes effective, for the sale of fractions of common shares of the Amalgamated Corporation. On each business day during such period common shares of the Amalgamated Corporation aggregating, as nearly as may be, all fractions of shares represented by certificates for present shares of BPOG which are surrendered to the agent prior to 2:00 o'clock in the afternoon on that day with instructions to sell such fractions, will be sold by the agent on The Toronto Stock Exchange and the proceeds derived from such sale will be allocated pro rata among all shareholders entitled to the fractional interests so sold. A cheque for the amount of each shareholder's entitlement will be forwarded to him concurrently with the certificate or certificates for common shares of the Amalgamated Corporation to which he is entitled.

The charges of the agent, all applicable transfer taxes, brokerage charges and other expenses relating to such sales will be borne by the Amalgamated Corporation.

CONSOLIDATION OF THE MARKETING BUSINESS OF BP CANADA

At the present time BP Canada is engaged directly in the marketing of petroleum products in Ontario and Quebec under the "Supertest" brand name and its wholly-owned subsidiary, BP Oil Limited, is carrying on a similar business in the same provinces under the "BP" brand name. The management of BP Canada is convinced that greater operating flexibility and economies in administration and accounting can be obtained if all the marketing assets are owned and all the business is carried on directly by one company. For this reason it is proposed that all of the marketing assets and business of BP Canada should be transferred to BP Oil Limited with effect from the commencement of business on October 1, 1972 pursuant to an agreement dated September 14, 1972 between the two companies. In consideration for such assets, BP Oil Limited will assume all the liabilities of BP Canada relating to the marketing business and will issue to BP Canada additional common shares without nominal or par value as fully paid and non-assessable shares.

APPRAISAL RIGHTS

There are no appraisal rights for shareholders of BP Canada or BPOG under The Business Corporations Act (Ontario) in respect of the proposed amalgamation.

Canadian Tax Consequences

TAX INFORMATION

BP Canada and BPOG have received an opinion of Messrs. Fraser & Beatty of Toronto that:

1. No tax will be payable under the Income Tax Act (Canada) on income or capital gains by shareholders of BPOG as a result of the consolidation of the shares of that company or by shareholders of BP Canada or BPOG as a result of the amalgamation.
2. Where a shareholder has acquired his shares of either company after December 31, 1971 (otherwise than in a non-arms' length transaction), his adjusted cost base of the shares of the Amalgamated Corporation will continue to be his cost of the original shares.
3. Where a shareholder owned his present shares of either company on December 31, 1971, the so-called "tax-free zone" rules will ordinarily be applicable (in the absence of an election by him to the contrary) in determining the adjusted cost base of such shares. Such adjusted cost base, as determined under those rules at the time of the amalgamation, will be deemed to be his adjusted cost base of the shares of the Amalgamated Corporation into which his present shares are converted. Following the amalgamation the "tax-free zone" rules will no longer apply in determining the adjusted cost base of shares of the Amalgamated Corporation.
4. The effect of the "tax-free zone" rules for a shareholder of BPOG who owned such shares on December 31, 1971 is that his adjusted cost base of his shares of the Amalgamated Corporation will be fixed at the figure which is neither the greatest nor the least of (a) his original cost of his

BPOG shares, (b) the value of such shares on December 22, 1971 (the "Valuation Day value"), and (c) the value of such shares immediately prior to the amalgamation (the "Amalgamation Day value"). Such shareholder will be adversely affected only if the Amalgamation Day value is less than his original cost or is less than the Valuation Day value because in either such event the benefit of his higher original cost or of the higher Valuation Day value will no longer be available to him in computing capital gains on the subsequent disposition of his common shares of the Amalgamated Corporation.

5. The effect of the "tax-free zone" rules for a holder of Preference Shares of BP Canada who owned such shares on December 31, 1971 will be the same as is outlined in paragraph 4 in respect of a shareholder of BPOG.
6. The effect of the "tax-free zone" rules for a holder of common shares of BP Canada who acquired such shares on the conversion on December 23, 1971 of the former (Supertest) common shares will be the same as is outlined in paragraph 4 in respect of a shareholder of BPOG.
7. In the case of a holder of common shares of BP Canada who acquired such shares on December 23, 1971 on the conversion of former (Supertest) ordinary shares, the effect of the "tax-free zone" rules will be that the adjusted cost base of his common shares of the Amalgamated Corporation will be fixed at the value of his common shares of BP Canada at the end of 1971. This is based on the assumption (which appears likely) that the Amalgamation Day value of the common shares of BP Canada will not be less than the value of such shares at the end of 1971 and on the fact that the market value of the former (Supertest) ordinary shares was at its all-time high on December 22, 1971 so that no shareholder's original cost of such shares is likely to exceed that value. On this basis, the amalgamation will not adversely affect such shareholder in the computation of capital gains realized on the subsequent disposition of his common shares of the Amalgamated Corporation.
8. The "tax-free zone" rules do not apply to shares which are not capital assets in the hands of a shareholder—e.g. where the shareholder is a trader or dealer in securities. Thus, paragraphs 3 to 7 above would not apply to such a shareholder.

United States Tax Consequences

BP Canada and BPOG have applied for rulings from the United States Internal Revenue Service that the United States federal income tax consequences of the amalgamation to United States shareholders will be as follows:

- (1) No gain or loss will be recognized to the shareholders of BPOG upon the receipt of the new (consolidated) common shares of BPOG prior to the amalgamation.
- (2) No gain or loss will be recognized to shareholders of BP Canada or BPOG upon the conversion of their present shares into shares of the Amalgamated Corporation (except for gain or loss on the sale of fractional share interests to which shareholders of BP Canada or BPOG will be entitled).
- (3) The basis of the shares of the Amalgamated Corporation (including any fractional share interests) received by a shareholder of BP Canada or BPOG on the conversion of shares described in paragraph (2) above will be the same as his basis in the shares of BP Canada or BPOG surrendered therefor.
- (4) The holding period of the shares of the Amalgamated Corporation received by a shareholder of BP Canada or BPOG on the conversion described in paragraph (2) above will include the holding period during which such shareholder held the shares of BP Canada or BPOG so converted, provided that such shares of BP Canada or BPOG constituted capital assets in the hands of such shareholder on the date of the conversion.
- (5) The amalgamation will not cause the 5% cumulative redeemable sinking fund preference shares of the Amalgamated Corporation received by a holder of 5% Cumulative Redeemable Sinking Fund Preference Shares of BP Canada on the conversion described in paragraph (2) above to become "section 306 stock" within the meaning of section 306 (c) of the United States Internal Revenue Code of 1954.

In addition, BP Canada and BPOG have been advised by Messrs. Sullivan & Cromwell of New York, based in part on the assumption that the rulings applied for, as above described, are issued by the Internal Revenue Service, that no United States Interest Equalization Tax will be payable by any shareholder of

BPOG upon the consolidation of his present shares into new common shares of BPOG nor by any shareholder of BP Canada or of BPOG, respectively, upon the conversion of his shares into corresponding shares of the Amalgamated Corporation.

In the event that the rulings applied for, as above described, are not issued by the Internal Revenue Service prior to the amalgamation becoming effective, the United States federal income tax consequences will be that United States shareholders of BP Canada and BPOG must recognize their gain but not loss upon the receipt of shares of the Amalgamated Corporation.

THE MINERAL TAXATION ACT (ALBERTA)

The Province of Alberta has recently amended The Mineral Taxation Act to impose a substantial new tax on crude oil reserves located in that Province. At the same time, the Government of Alberta has announced its intention to introduce a system of Exploratory Drilling Incentives. Whilst all the details have not yet been promulgated, it is estimated that the aggregate net cost of these measures to BPOG in 1973 may be in the order of \$500,000 and to BP Canada (apart from BPOG) in the order of \$100,000.

VOTING RIGHTS OF PREFERENCE SHAREHOLDERS OF BP CANADA

Under the provisions attaching to the outstanding 5% Cumulative Redeemable Sinking Fund Preference Shares with a par value of \$100 each (the "Preference Shares") of BP Canada, the holders of Preference Shares are not entitled to vote at any annual or general meeting of BP Canada (unless default shall have been made in the payment of dividends for an aggregate of six quarterly periods) except where such meeting is called for the purpose of considering the winding up of BP Canada, the amalgamation of BP Canada with any other corporation or for the purpose of sanctioning the sale of all or substantially all of the assets or undertaking of BP Canada. In any of such events, the holders of the Preference Shares shall have the right at such annual or general meeting to one vote for each Preference Share held. Accordingly, the holders of the Preference Shares are entitled to notice of the general meeting of the shareholders of BP Canada to be held on October 17, 1972 and are entitled at such meeting to one vote for each Preference Share held on the resolution to confirm the resolution of the directors of BP Canada authorizing the transfer of its marketing business and assets to BP Oil Limited and on the resolution to confirm the resolution of the directors of BP Canada approving the Amalgamation Agreement. Under the Amalgamation Agreement, the provisions to be attached to the preference shares of the Amalgamated Corporation will be identical with the provisions attaching to the Preference Shares of BP Canada.

SOLICITATION OF PROXIES

The proxy accompanying the notice of the general meeting of shareholders of BP Canada is solicited by and on behalf of the management of BP Canada (a "soliciting company"). The proxy accompanying the notice of the general meeting of shareholders of BPOG is solicited by and on behalf of the management of BPOG (a "soliciting company"). The entire cost of each solicitation will be borne by the soliciting company. In addition to the use of the mails, proxies may be solicited in person by directors, officers and employees of the soliciting company. Arrangements may also be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares held of record by such persons, and the soliciting company may reimburse them for reasonable out-of-pocket expenses incurred in connection therewith.

In addition to their role as advisers, as mentioned on pages 3 and 4, Greenshields and Wood Gundy have agreed to solicit proxies on behalf of the managements of both companies. For these services they will receive an aggregate maximum fee of \$20,000 which will be paid by the Amalgamated Corporation. This fee is for the work and expenses involved in soliciting proxies and is not related to the number of proxies solicited or the number of shares represented by proxies tendered as a result of such solicitation. Solicitation fees will not be paid to any other brokerage firms or to custodians, nominees or fiduciaries.

Appointment and Revocation of Proxies

A shareholder has the right to appoint a person other than the persons designated in the enclosed form of proxy to attend and act for him and on his behalf at the meeting referred to therein. To exercise this right the shareholder should either (i) insert the name of the desired person in the blank space provided in the enclosed form of proxy and strike out the other names, or (ii) submit another appropriate proxy and, in either case, send the proxy prior to the meeting at which it is to be used,

in the case of the BP Canada meeting, to The Canada Trust Company, 110 Yonge Street, Toronto, Ontario, and in the case of the BPOG meeting, to Canada Permanent Trust Company, 1901 Yonge Street, Toronto, Ontario, or deliver it to the Chairman of the meeting at the meeting. A person so appointed need not be a shareholder of the soliciting company. To be valid, a proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited either at the head office of the soliciting company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or with the Chairman of the meeting on the day of the meeting or any adjournment thereof and upon either of such deposits the proxy is revoked. The head office of BP Canada is at 245 Pall Mall Street, London, Ontario and the head office of BPOG is at 335 8th Avenue S.W., Calgary, Alberta.

Voting of Proxies

The shares represented by the proxies hereby solicited will be voted and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares will be voted in accordance with the specifications so made. **Where no choice is so specified, the shares represented by the proxies hereby solicited will be voted in favour of such matter.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying notice of meeting and with respect to other matters which may properly come before the meeting. As of the date of this information circular the management of the soliciting company knows of no such amendments, variations or other matters to come before the meeting. **However, if any such amendments, variations or other matters which are not now known to the management should properly come before the meeting, the shares represented by the proxies hereby solicited will be voted thereon in accordance with the best judgment of the person voting such proxies.**

Voting Shares and Principal Holders Thereof

BP Canada

Only holders of 5% Cumulative Redeemable Sinking Fund Preference Shares with a par value of \$100 each ("Preference Shares") and of common shares without par value ("common shares") of BP Canada of record forty-eight hours, excluding Saturdays and holidays, before the date of the BP Canada meeting (that is, at the close of the registers of transfers for shares of BP Canada on Thursday, October 12, 1972) will be entitled to vote at such meeting or at any adjournment thereof. Holders of Preference Shares and holders of common shares are entitled to one vote in respect of each Preference Share and of each common share held at such time. At the date of this information circular 15,219 Preference Shares and 17,268,889 common shares of BP Canada were outstanding.

BP Canadian Holdings Limited beneficially owns 13,772,722 common shares of BP Canada which represent approximately 79.8% of the outstanding equity shares of BP Canada. The British Petroleum Company Limited of London, England, owns beneficially all the outstanding shares of BP Canadian Holdings Limited and under the provisions of The Business Corporations Act (Ontario) is deemed to own beneficially the common shares of BP Canada owned by BP Canadian Holdings Limited.

BPOG

Only holders of shares without nominal or par value of BPOG of record forty-eight hours, excluding Saturdays and holidays, before the date of the BPOG meeting (that is, at the close of the register of transfers for shares of BPOG on Thursday, October 12, 1972) will be entitled to vote at such meeting or at any adjournment thereof. Each shareholder is entitled to one vote for each share held at such time. At the date of this information circular 27,328,927 shares without nominal or par value of BPOG were outstanding.

BP Canada beneficially owns 18,001,590 shares of BPOG which represent approximately 65.9% of the outstanding equity shares of BPOG. BP Canadian Holdings Limited controls BP Canada and, under the provisions of securities legislation of the Provinces of Alberta and Ontario, is deemed to own beneficially the shares of BPOG owned by BP Canada.

Interest of Management and Others in Matters to be Acted Upon and Material Transactions

The Proposed Amalgamation

Messrs. A. F. Down, R. W. D. Hanbridge, F. A. McKinnon, D. F. Mitchell and D. E. C. Steel are directors of both BP Canada and BPOG and Mr. Mitchell is also an officer of both companies. Accordingly, they may each be regarded as being interested in the Amalgamation Agreement. Their respective beneficial shareholdings in each company are shown on pages 5 and 6. Mr. Peter Kilburn, 1321 Sherbrooke Street West, Montreal, Quebec, and Mr. C. R. Tanner, 1850 S.W. Marine Drive, Vancouver, B.C., who are directors of BPOG, also own beneficially 1,000 and 7,000 common shares of BP Canada, respectively, and accordingly may be regarded as being interested in the Amalgamation Agreement.

The Consolidation of the Marketing Business of BP Canada

Messrs. D. F. Mitchell and R. W. D. Hanbridge, directors of BP Canada, are also directors and officers of BP Oil Limited and accordingly may be regarded as being interested in the agreement providing for the transfer of the marketing assets of BP Canada to BP Oil Limited.

The Supertest Transaction, 1971

Pursuant to an agreement dated September 30, 1971 as amended by supplemental agreement dated November 23, 1971 between BP Canadian Holdings Limited (under its then name BP Canada Limited) and BP Canada (under its then name Supertest Petroleum Corporation, Limited), BP Canadian Holdings Limited transferred on December 23, 1971 to BP Canada all the outstanding shares of BP Oil Limited and 18,001,590 outstanding shares of BPOG, being approximately 65.9% of the outstanding shares of BPOG. As consideration for these shares of BP Oil Limited and BPOG, 13,150,600 common shares of BP Canada (as now constituted) were issued to BP Canadian Holdings Limited as fully paid shares. 6,860,088 of the said shares of BPOG were acquired by BP Canadian Holdings Limited within two years prior to December 23, 1971 at an aggregate cost of \$25,728,838. The said agreement of September 30, 1971 as amended by the said supplemental agreement of November 23, 1971 was approved and confirmed at an adjourned general meeting of the holders of the former common shares of BP Canada held on November 24, 1971.

Messrs. R. M. Fowler, D. F. Mitchell and R. W. D. Hanbridge, who are now directors of BP Canada, may be said to have been interested in the said transaction as directors and officers of BP Canadian Holdings Limited. BP Canadian Holdings Limited, which now controls BP Canada, was interested in the said transaction as a party thereto. The address of BP Canadian Holdings Limited is 1245 Sherbrooke Street West, Montreal, Quebec. The addresses of Messrs. Fowler, Mitchell and Hanbridge appear on page 51.

Mr. James G. Thompson, 1674 Louise Boulevard, London, Ontario, who is a director of BP Canada, was interested in the said transaction because concurrently with the completion of the said transaction and conditional upon such completion, Corlon Investments Limited and G. P. Investments Limited, in both of which companies Mr. Thompson was interested as a director, officer and shareholder, sold to BP Canadian Holdings Limited an aggregate of 1,046,730 former common shares of BP Canada. Alba Holdings Limited, 660 Richmond Street, London, Ontario, an associate of Mr. James G. Thompson, was also interested in the said transaction because it controlled the said Corlon Investments Limited and G. P. Investments Limited and, under The Business Corporations Act (Ontario), was deemed to own the said 1,046,730 former common shares of BP Canada.

Management Contract

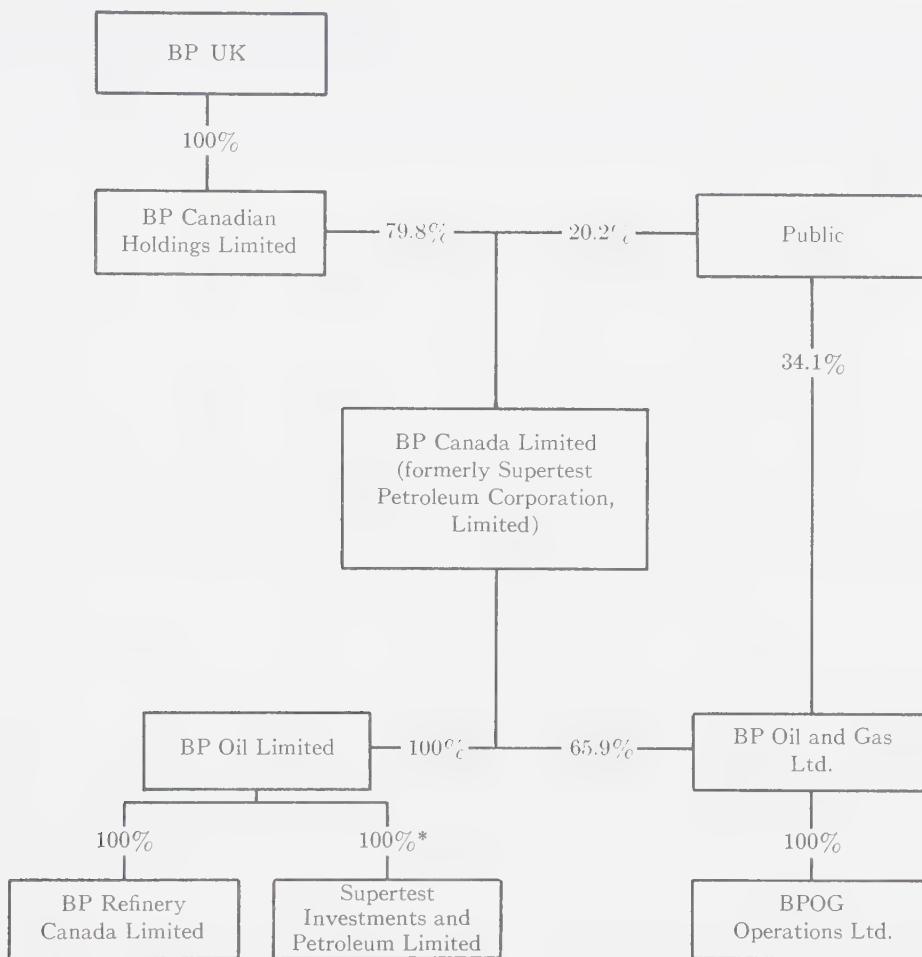
The exploration interests of BP Canada and the business of its wholly-owned subsidiary, Supertest Investments and Petroleum Limited are managed by BPOG Operations Ltd., a wholly-owned subsidiary of BPOG, under an agreement made as of January 1, 1972 and terminable at the end of any calendar year on three months' notice. The said agreement provides for the payment of an aggregate management fee at the rate of \$20,000 per month plus an amount equal to 2½% of all exploration, development and production expenditures made by or on behalf of BP Canada and Supertest Investments and Petroleum Limited. If the proposed amalgamation becomes effective, the said Management Agreement will cease to have any practical effect.

BUSINESS AND PROPERTIES OF BP CANADA

The BP Group

BP Canada is a 79.8% owned subsidiary of BP Canadian Holdings Limited which in turn is the holding company for all of the Canadian interests of The British Petroleum Company Limited ("BP UK") of London, England. The BP Group, comprising BP UK and its subsidiary and associated companies, is one of the largest integrated oil groups in the world and is engaged in all phases of the oil industry including the exploration for and production, transportation, refining and marketing of crude oil, petroleum products, chemicals and gas.

The following chart illustrates the present corporate structure as it relates to the major companies in Canada:



* 1% of which is owned directly by BP Canada.

History

BP Canada was incorporated under the laws of Ontario with the name Supertest Petroleum Corporation, Limited on December 17, 1925. Shortly thereafter it acquired and consolidated the businesses of several companies which marketed petroleum products in Ontario under the name "Supertest". In 1926, operations were commenced in Quebec. During the following decades these marketing operations were expanded steadily. Exploration for and production of petroleum and natural gas in Western Canada were commenced in 1955.

On December 23, 1971 the company acquired from BP Canadian Holdings Limited, in consideration for the issue of 13,150,600 of its present common shares, all the shares of BP Oil Limited and 18,001,590 shares of BPOG. Simultaneously, the name of the company was changed to BP Canada Limited. As a result of this and related transactions, the company became a subsidiary of BP Canadian Holdings Limited.

BP Oil Limited ("BP Oil") was incorporated under the laws of Canada in 1955. Its first petroleum marketing outlets were opened in Quebec in 1957 and in Ontario in 1958. Expansion was rapid in the next few years and by the end of 1961 over 900 retail outlets were operating in the two provinces. In 1960 the Montreal refinery owned by its wholly-owned subsidiary, BP Refinery Canada Limited ("BP Refinery"), came on stream. BP Oil's market representation was further increased in 1964 with the acquisition of the Canadian marketing and refining interests of Cities Service Company which included about 750 retail outlets, mostly in Ontario, and a refinery at Oakville, Ontario.

Marketing

Directly and through BP Oil, BP Canada markets a full range of petroleum products and automotive accessories under the names "BP" and "Supertest". Its marketing network consists of bulk plants, distributors and approximately 3,100 retail outlets in Ontario and Quebec. This network distributes products to motorists, farmers, homeowners and commercial, industrial and transportation companies.

The following is a summary of the location, number and type of retail outlets and other marketing facilities of BP Canada and BP Oil at June 30, 1972:

	Ontario	Quebec	Total
Terminals.....	4	3	7
Bulk plants and warehouses.....	150	30	180
Retail outlets			
Owned.....	706	346	1,052
Other controlled.....	151	69	220
Dealers.....	1,262	545	1,807
Total retail outlets	2,119	960	3,079

The combined sales volume of BP Canada and BP Oil of refined products, classified as to gasoline, middle distillates and heavy fuel and other products for the periods shown were as follows:

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
	(thousands of gallons)						
Gasoline.....	443,105	464,642	486,488	513,413	535,830	248,428	268,679
Middle distillates.....	268,339	280,513	301,223	335,741	338,504	190,860	204,229
Heavy fuel and other..	262,661	293,540	375,150	381,769	330,408	165,389	159,581
	974,105	1,038,695	1,162,861	1,230,923	1,204,742	604,677	632,489

Refining

BP Refinery owns and operates refineries at Ville d'Anjou, Quebec, (the "Montreal Refinery") and at Oakville, Ontario, (the "Trafalgar Refinery"). These refineries produce refined products for sale to BP Oil and also for sale to others under contract. Refined products for BP Canada's business are presently obtained under a long-term contract with a major refiner, which contract will terminate on December 31, 1974.

The Montreal Refinery, which cost \$47.5 million, came on stream in 1960 with a rated capacity of 25,000 barrels per day. Since then the refinery has been expanded at a cost of \$21.3 million to its present capacity of 75,000 barrels per day. On its acquisition in 1964 the Trafalgar Refinery had an appraised value of \$25 million. Since then its rated capacity has been increased from 23,000 to 38,000 barrels per day at a total cost of \$8.3 million.

Plans have been announced to double the capacity of Trafalgar Refinery to approximately 78,000 barrels per day at a cost of approximately \$55 million. Tenders have been invited from contractors for the major portion of the construction. With the commissioning of the new plant towards the end of 1974, BP Refinery will be able to manufacture all the major petroleum products marketed under the "BP" and "Supertest" brand names.

Adjacent to each refinery are major marketing terminals which together cost approximately \$3.5 million.

BP Oil has a 10% interest in Montreal Pipe Line Company Limited which, together with its wholly-owned subsidiary, Portland Pipe Line Corporation, owns and operates a crude oil pipeline running from Portland, Maine to Montreal, Quebec.

The refineries manufacture a wide range of high quality products, including gasolines, jet fuels, liquified petroleum gas, stove, diesel, furnace and fuel oils and asphalt. The Trafalgar Refinery processes Western Canadian crude which is purchased from BPOG and other Canadian producers at market prices. The Montreal Refinery processes imported crude purchased under a long-term Supply Agreement with BP Trading Limited, a wholly-owned subsidiary of BP UK. Under this Supply Agreement BP Refinery has access to a wide variety of crude oils emanating from sources in Latin America, Africa and the Middle East at fair commercial prices which are subject to periodic review and adjustment to reflect changes in f.o.b. prices and long-term freight levels.

A portion of the Montreal Refinery's capacity is sold to another company under a processing contract which expires on April 30, 1976. In addition, a minor part of the Trafalgar Refinery's capacity is used to process crude oil for another company under a short term agreement.

The following table sets forth the average daily volumes of crude oil processed and the processing capacity of the Montreal and Trafalgar refineries expressed in thousands of barrels per calendar day:

	Average daily volumes of crude oil processed					Comparative capacities	
	1967	1968	1969	1970	1971	at December 31	
	(thousands of barrels)					1967	1971
Montreal.....	32	50	62	66	63	37	71
Trafalgar.....	29	32	31	34	36	33	36
Total.....	61	82	93	100	99	70	107

The average daily volumes of crude oil processed during the six months ended June 30, 1972 at the Montreal and Trafalgar refineries was 62,000 and 33,000 barrels, respectively.

During 1971 and the six months ended June 30, 1972 BP Canada was supplied with approximately 17,500 barrels daily under the above-mentioned long term supply contract.

Exploration and Production

General

The exploration and production assets of BP Canada (apart from its share interest in BPOG) consist mainly of (i) lands acquired and developed by BP Canada under its former name Supertest Petroleum Corporation, Limited, prior to its acquisition of the BP petroleum interests in Canada, and (ii) certain frontier land holdings in the Arctic Islands and in the offshore areas adjacent to Newfoundland, and rights in the Athabasca Tar Sands and in the heavy crude oil area of Cold Lake, Alberta, all held jointly with BPOG. Reference is made to the accompanying maps for the location of these holdings.

A description of the major interests held by BP Canada jointly with BPOG is set out under the heading "BP Canada/BPOG Joint Operations and Holdings" on page 21.

BP Canada's exploration and production interests are now held mainly through Supertest Investments and Petroleum Limited, a wholly-owned subsidiary. In addition, other wholly-owned subsidiaries conduct exploration activities in Montana and North Dakota and hold an interest in an exploration license covering 51,000 acres in the U.K. section of the North Sea.

Since January 1, 1972, all petroleum exploration activities of BP Canada have been conducted on its behalf by BPOG Operations Ltd., a wholly-owned subsidiary of BPOG, under a management contract. BP Canada also has agreed to offer to BPOG the right to participate up to 50% in any new oil and gas exploration ventures undertaken by BP Canada in Canada and BPOG has agreed to offer to BP Canada the right to participate up to 50% in any new oil and gas exploration ventures which BPOG may decide to undertake in what are generally known as the frontier areas and any non-conventional crude oil exploration program. As of April 1, 1972 BP Canada also has the right to participate up to 20% in other exploration in Canada undertaken by BPOG.

The major production resulting from exploration discoveries by BP Canada is in the Lac La Biche and Pembina areas of Alberta.

In the Beaufort Sea, BP Canada has interests varying from 10% to 25% in offshore acreage located in the general area of the onshore discoveries in the Mackenzie Delta. Seismic work has been completed on most of the acreage but no further exploration is planned in the immediate future.

In the general Lac La Biche area of Alberta, in addition to its gas producing properties at Bellis and Craigend, BP Canada has widespread acreage holdings of interest for shallow Cretaceous and Devonian gas production. Development drilling has been essentially finished at Atmore-Lodge Lake which should be in production in 1973. During the last year, gas was discovered at Sunland and Smoky Lake. In Central Alberta, Cretaceous gas was discovered at Bittern Lake. Further drilling will be required on all these areas to determine the size and economics of these discoveries.

In Southern Alberta, at East Bantry-Tide Lake, shallow Cretaceous gas in two zones was discovered in several wells during 1971. Development will be carried on in 1972 or 1973.

From 1967 until late 1971, BP Canada has been a partner in a heavy oil experimental steam flood project located south of Cold Lake, Alberta. At the present time, the deposits are not economic to develop but the acreage is being retained.

Drilling and Exploration Expenditures

The following table shows the expenditures incurred for drilling, exploration, lease acquisition and lease rentals by BP Canada and its subsidiaries (apart from BPOG) for the periods indicated:*(See Note on page 19)

Year ended December 31					Six months ended June 30	
1967	1968	1969	1970	1971	1971	1972
(thousands of dollars)						
\$2,364	\$4,851	\$11,227	\$3,891	\$5,856	\$3,009	\$1,950

*Reference is made to page 24 for particulars of the drilling and exploration expenditures of BPOG.

Production

The following tables set forth the net production of BP Canada and its subsidiaries (apart from BPOG) of crude oil and natural gas liquids and natural gas and the proportion of the production of BPOG notionally attributable to BP Canada's 65.9% share interest in BPOG for the periods indicated. (See Note on page 19.)

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
OIL AND NATURAL GAS LIQUIDS (barrels)							
Alberta							
Pembina.....	621,801	595,031	614,626	649,104	652,212	329,766	307,376
Other areas.....	132,275	154,517	325,815	149,164	152,339	75,171	88,832
Total Alberta.....	754,076	749,548	940,441	798,268	804,551	404,937	396,208
Saskatchewan.....	68,196	105,480	147,564	187,712	163,988	82,672	81,734
British Columbia.....	1,688	7,994	8,830	13,773	20,310	10,078	12,519
U.S.A.....	—	—	—	—	579	391	243
Sub-total.....	823,960	863,022	1,096,835	999,753	989,428	498,078	490,704
65.9% share of production of BPOG*							
Total.....	4,688,950	4,736,624	4,913,509	5,469,337	5,660,999	2,799,995	2,983,163

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
NATURAL GAS (mmcf)							
Pembina.....	1,070	930	827	865	901	343	651
Edson.....	400	467	472	554	549	287	354
Lac La Biche.....	—	—	933	3,197	3,065	1,530	1,524
Other areas.....	351	278	563	944	1,334	540	931
Sub-total.....	1,821	1,675	2,795	5,560	5,849	2,700	3,460
65.9% share of production of BPOG*	9,843	12,286	12,151	15,016	15,418	8,469	8,798
Total.....	<u>11,664</u>	<u>13,961</u>	<u>14,946</u>	<u>20,576</u>	<u>21,267</u>	<u>11,169</u>	<u>12,258</u>

*Reference is made to pages 24 and 25 for particulars of the production of BPOG.

Drilling Activities

The following table sets forth the net interest of BP Canada and its subsidiaries (apart from BPOG) in exploratory and development wells drilled by it or in which it has participated and, in the case of no-cost wells, the number of wells drilled.* (See Note below.)

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
Exploratory wells							
Oil.....	.8	1.7	3.6	1.0	.1	.1	—
Gas.....	—	3.3	2.1	.1	1.4	1.1	1.3
Abandoned.....	7.6	11.0	11.9	3.7	3.7	2.6	.3
Total.....	<u>8.4</u>	<u>16.0</u>	<u>17.6</u>	<u>4.8</u>	<u>5.2</u>	<u>3.8</u>	<u>1.6</u>
Development wells							
Oil.....	2.6	13.6	11.7	2.0	.3	—	—
Gas.....	1.5	—	.8	1.1	1.1	.6	1.0
Abandoned.....	2.0	4.1	5.9	3.8	1.0	—	2.4
Total.....	<u>6.1</u>	<u>17.7</u>	<u>18.4</u>	<u>6.9</u>	<u>2.4</u>	<u>.6</u>	<u>3.4</u>
No-cost wells†							
Oil.....	3	2	4	2	—	—	1
Gas.....	—	—	—	1	—	—	—
Abandoned.....	4	7	11	12	6	4	1
Total.....	<u>7</u>	<u>9</u>	<u>15</u>	<u>15</u>	<u>6</u>	<u>4</u>	<u>2</u>

*Reference is made to page 25 for particulars of the drilling activities of BPOG.

†No-cost wells are drilled by others at no cost to BP Canada in order to evaluate lands held by it. BP Canada receives varying interests in the proceeds, if any, of production from these wells.

NOTE: The foregoing tables include for the years 1967, 1968 and 1969 the data applicable to four companies which were in those years wholly-owned subsidiaries of BP Canadian Holdings Limited. These companies have been wholly-owned subsidiaries of BPOG since January 1, 1970.

Oil and Gas Wells

The following table shows the interest of BP Canada and its subsidiaries (apart from BPOG) in oil and gas wells at June 30, 1972.*

	Oil		Gas		Shut-in gas†	
	Gross	Net	Gross	Net	Gross	Net
Alberta.....	626	81.4	146	11.6	34	17.2
British Columbia.....	24	.6	—	—	—	—
Saskatchewan.....	27	11.2	—	—	—	—
Other.....	1	.1	—	—	—	—
	<u>678</u>	<u>93.3</u>	<u>146</u>	<u>11.6</u>	<u>34</u>	<u>17.2</u>

*Reference is made to page 25 for particulars of the oil and gas wells of BPOG.

†Shut-in wells are those in areas where sufficient reserves to justify pipeline connection have not yet been developed.

Reserves

The following table sets forth as at June 30, 1972 a summary of the estimated net reserves of BP Canada and its subsidiaries (apart from BPOG) and the proportion of the estimated net reserves of BPOG notionally attributable to BP Canada's 65.9% share interest in BPOG. These estimates were prepared by DeGolyer and MacNaughton, Dallas, Texas, independent oil and gas consultants, based on factual data as to interests owned furnished for the purpose by BP Canada and BPOG.

	Proven developed ⁽¹⁾	Probable additional ⁽²⁾	Total
Reserves of oil and natural gas liquids (barrels)			
BP Canada.....	13,159,000	4,113,000	17,272,000
65.9% of reserves of BPOG ⁽³⁾	60,278,000	2,308,000	62,586,000
Total.....	<u>73,437,000</u>	<u>6,421,000</u>	<u>79,858,000</u>
Reserves of natural gas (mmcf)			
BP Canada.....	138,000	7,700	145,700
65.9% of reserves of BPOG ⁽³⁾	353,200	44,200	397,400
Total.....	<u>491,200</u>	<u>51,900</u>	<u>543,100</u>
Reserves of sulphur (long tons)			
BP Canada.....	5,500	—	5,500
65.9% of reserves of BPOG ⁽³⁾	816,000	92,000	908,000
Total.....	<u>821,500</u>	<u>92,000</u>	<u>913,500</u>

NOTES:

(1) Proven developed reserves are considered to be those reserves which, to a high degree of certainty, are recoverable at commercial rates under present depletion methods and current operating conditions, prices and costs.

(2) Probable additional reserves are those additional reserves which are considered to be commercially recoverable as the result of more favourable performance of the existing recovery mechanisms than that which can be deemed to be proven at the present time, or due to the beneficial effects which may be derived from the future institution of some form of pressure maintenance or secondary recovery method. Probable additional reserves also include those reserves which may be reasonably assumed to exist based on geological and geophysical indications and drilling done in reservoirs which contain proven developed reserves.

(3) Reference is made to page 26 for particulars of the reserves of BPOG.

BP Canada has an interest in large quantities of heavy oil in both the Cold Lake area and the Athabasca Tar Sands. These reserves are not included in the above figures as no economical means of commercial production has been established for these properties under present conditions.

Exploration Holdings

The following table sets forth as at June 30, 1972, the locations of the working interest holdings of BP Canada and its subsidiaries (apart from BPOG) in petroleum and natural gas rights (reservations, permits, options and leases) and the proportion of the corresponding holdings of BPOG notionally attributable to BP Canada's 65.9% share interest in BPOG.

	Reservations, permits and options		Leases		Total reservations, permits, options and leases	
	Gross acres	Net acres	Gross acres	Net acres	Gross acres	Net acres
Alberta.....	213,931	116,373	848,557	439,356	1,062,488	555,729
Saskatchewan.....	—	—	55,205	34,012	55,205	34,012
British Columbia.....	41,394	4,139	19,984	6,527	61,378	10,666
Northwest Territories.....	958,650	140,915	—	—	958,650	140,915
Offshore East Coast.....	14,857,940	6,823,269	—	—	14,857,940	6,823,269
Arctic Islands.....	7,575,208	534,768	—	—	7,575,208	534,768
North Sea (U.K.).....	51,323	5,774	—	—	51,323	5,774
Montana/Dakota.....	—	—	112,059	68,355	112,059	68,355
Mineral Leases.....	—	—	170,346	170,346	170,346	170,346
	<u>23,698,446</u>	<u>7,625,238</u>	<u>1,206,151</u>	<u>718,596</u>	<u>24,904,597</u>	<u>8,343,834</u>
65.9% of holdings of BPOG*....	<u>5,989,200</u>			<u>807,874</u>		<u>6,797,074</u>
Total net acres.....	<u>13,614,438</u>			<u>1,526,470</u>		<u>15,140,908</u>

*Reference is made to page 26 for particulars of the holdings of BPOG.

In addition to the above acreage interests, BP Canada holds a 38.26% share interest in Magnorth Petroleum Ltd. ("Magnorth"), which has net holdings of approximately 13.5 million acres in the offshore areas of the Canadian Arctic Islands. An extensive geophysical program has been completed on much of this acreage and a further program to cost approximately \$600,000 is under way. In 1971, an agreement was made with Northern Natural Gas Company ("Northern") under which Northern has undertaken to spend \$9.8 million over five years commencing January 1, 1973 to explore the Magnorth acreage and will thereby earn a 25% interest and a first call on any gas discovered and developed. Northern has an option to spend another \$26.5 million over a further four-year period to increase its interest to 50%.

BP CANADA/BPOG JOINT OPERATIONS AND HOLDINGS

As already mentioned, BP Canada and BPOG conduct certain operations jointly. Particulars of the joint exploration holdings and wells drilled and expenditures incurred thereon are given in the descriptions of the respective operations of BP Canada and BPOG. Reference is also made to the accompanying maps for the location of these holdings.

BPOG and BP Canada each has a 50% interest in 12.7 million acres of Federal oil and gas permits off the coast of Newfoundland, located in an area of thick Cretaceous and Tertiary sediments with water depth in excess of 600 feet. In 1972, negotiations were completed with Columbia Gas Development of Canada Ltd. ("Columbia"), a subsidiary of a major United States gas utility company, whereby Columbia will acquire a 40% net interest in the acreage and first right to purchase any gas that may be discovered and produced on the acreage, the BP companies maintaining a similar right on any oil. Columbia has agreed to provide \$25 million to finance exploration until September 30, 1979 and to pay all development costs, the BP companies' share of such development costs to be recovered from one-third of the proceeds from any production attributable to the BP companies' interests. The exploration expenditure of \$25 million will maintain all the permits in good standing until October, 1979. Approximately 3,500 miles of seismic work has been completed on the acreage, and 2,800 miles of additional seismic work is being done during 1972. Exploratory drilling is planned to commence in the summer of 1974.

This consortium (60% BP companies, 40% Columbia) has recently obtained a farmout on one million acres adjacent to the 12.7 million acres, whereby a 15% net interest will be earned by allocating work credits until January, 1975 with the option to increase the interest up to 60% by further work or drilling.

BPOG and BP Canada (25% each) and Columbia (50%) have recently purchased permits covering 1.1 million acres in Baffin Bay, off Cumberland Sound. As a first stage of exploration, seismic work will be done on the acreage over the next two or three years.

BPOG and BP Canada participate equally in Arctic Islands exploration. The companies have a 20% net interest in 3.2 million acres and a 3.33% interest in 2.9 million acres, both acreage blocks being operated by Panarctic Oils Ltd. ("Panarctic"). All work commitments on this acreage are carried by Panarctic until June, 1974. Two wells, both on Brock Island, have been drilled on the acreage. The first, in which the BP companies participated for 3.33% of the well cost, was drilled to 12,996 feet total depth, but failed to encounter any significant hydrocarbons. The second, on acreage in which the BP companies have a 20% working interest, was drilled independently by Panarctic at no cost to the BP companies and was recently abandoned at 10,422 feet. In addition, some of this acreage has been farmed out by Panarctic to two major Canadian companies and further exploration, at no cost or reduction of interest to the BP companies, will be done. It is anticipated that further joint interest exploratory drilling and seismic work will be done in late 1972 and 1973 on other parts of the 6.1 million acres.

In 1970, BPOG and BP Canada jointly obtained a farmout from Panarctic on 1,174,685 permit acres situated on Vanier, Emerald and Prince Patrick Islands in the western part of the Arctic Islands. Other companies participated to the extent of 30% in this farmout. Seismic surveys, totalling 400 miles, were done in 1970 and two 12,000-foot commitment wells were drilled in 1971-1972. The first commitment well on Vanier Island was suspended at 12,584 feet due to mechanical difficulties without reaching its main objective, the lower Paleozoic carbonates. The second commitment well on Prince Patrick Island was drilled to 12,075 feet without encountering any significant hydrocarbons. The drilling of the two wells earned for the BP companies an interest in 715,000 gross acres, and the right to drill a 12,000-foot test on Emerald Island to earn an interest in 285,000 gross acres (76,000 net acres). In the Spring of 1972, an 83-mile seismic program was completed on Emerald Island, and a drillable structure outlined. The BP companies (87½%) and another participant recently have committed to drill the Emerald well which must be commenced by December 31, 1972.

In 1970, BPOG and BP Canada jointly obtained a farmout on Graham and Buckingham Islands from Pacific Petroleum Ltd., by committing to drill a 10,000-foot test. These islands are located within the Sverdrup Basin. Seismic work had been done prior to taking the farmout and two separate structures indicated. Prior to completion of the commitment well, the BP companies entered into an agreement with Columbia, whereby Columbia paid 40% of the well costs to earn a 4% working interest in the acreage block on which the well was drilled, and the first call on the BP companies' share of any gas discovered. In 1972, the commitment well on Graham Island was drilled on the western block to 10,110 feet without encountering significant hydrocarbons. The well earned for the BP companies an interest in 226,000 gross acres (48,000 net acres).

In addition to the above major land holdings in the Arctic Islands, the BP companies have a 2.5% interest in 100,000 acres surrounding the Dome Winter Harbour well abandonment and a 1% interest in 1.3 million gross acres on Ellef Ringes, Amund Ringes, Melville, Bathurst and Devon Islands. The operator plans geophysical work and exploratory drilling on the 1.3 million acres.

BP Canada has a 100% working interest position in some 50,000 acres and a 2% royalty interest in another 37,000 acres in the Athabasca Oil Sands, both properties being located in areas of relatively thin overburden where mining might be feasible. BPOG has committed to spend \$300,000 on exploration on the BP Canada working interest property to earn 20% of BP Canada's interest in its oil sand properties. 27 stratigraphic tests have been drilled and further testing will be required to determine the property's economic viability.

From 1966 to early 1970, BPOG participated with BP Canada in an experimental steam injection project in the Cold Lake area of Alberta, designed to determine the economic feasibility of large-scale production of heavy oil (10° to 12° API) from thick Cretaceous sands at a shallow depth. BPOG has a 10% interest in 156,000 acres in this area and BP Canada holds the remaining 90% subject to an option held by an affiliated U.S. company to acquire certain interests of BP Canada in 27,000 acres. Data obtained and market prospects for such oil indicated that commercial development would not be economically viable under current conditions. While this phase of the experimental work has been terminated, the acreage has been retained.

BP Canada has 6,200 net acres of mineral claims in the Kamloops, B.C. area on copper-molybdenum prospects, 500 net acres on a silver prospect near Kimberly, B.C. and 163,600 net acres of mineral claims in New Brunswick and Nova Scotia on certain uranium-copper prospects. Exploration work is being done this year on most of the properties. Under the terms of an agreement dated May 1, 1972, BPOG will acquire 50% of BP Canada's interest in its mineral properties by spending \$421,000 on a joint mineral exploration program.

BUSINESS AND PROPERTIES OF BPOG

History

BPOG was incorporated as Triad Oil Co. Ltd. under the laws of Alberta on October 17, 1951 and since that date, directly and through subsidiaries, has been engaged in exploration and development in most prospective oil and gas areas in Canada. In 1953, BP UK acquired a substantial interest in BPOG. This interest, which was subsequently transferred to BP Canadian Holdings Limited and in 1971 acquired by BP Canada, has increased over the years so that BP Canada now holds 18,001,590 shares of BPOG, being 65.9% of the shares outstanding.

BPOG was originally formed to effect a merger of the businesses of three companies whose principal assets were developed leases in the Redwater oilfield in Alberta. Between 1961 and 1967, BPOG acquired all the outstanding shares of Devon-Palmer Oils Ltd. and Tidewater Canadian Oil Ltd. (now BPOG Operations Ltd.) and all the producing and certain undeveloped properties of Canadian Kewanee Limited. Effective January 1, 1970, BPOG purchased from BP Canadian Holdings Limited all the outstanding shares of four wholly owned exploration subsidiaries of that company.

BPOG has made, either alone or in partnership with others, discoveries or major extensions in the following areas in Alberta:

Ante Creek	Beattion River
East Crossfield	South Sturgeon Lake Triassic
Ghost Pine	Edson
Ponoka	Chauvin
Harmattan-Elkton	Kaybob South

In addition to the above producing discoveries, shut-in gas discoveries in the foothills have been made at Sukunka in British Columbia, and Stolberg, Brown Creek, Lovett River and Mountain Park in Alberta. The present petroleum and natural gas reserves and undeveloped land holdings are the result of the above-noted corporate acquisitions, exploration activities, and purchases of proven reserves at Government lease sales and from other companies.

Current Activities

Although a considerable part of BPOG's exploration effort and expenditures have been directed in recent years to the frontier areas of the Arctic Islands and the East Coast, more than 50% of its exploration expenditure is directed to the conventional oil and gas areas of British Columbia and Alberta. It is planned to continue to devote considerable effort to this area as increased land availability affords opportunities to assemble large acreage blocks. In both provinces, effort has been concentrated on the acquisition of larger acreage spreads in areas of new geological interest which will require geophysical work prior to drilling.

In the Peace River area of Alberta, BPOG has purchased and obtained farmouts on 250,000 acres of reservations and leases. Exploration and development drilling by competitors in an adjacent area (Dunvegan) has found significant gas reserves in several horizons. Three hundred miles of seismic work has been completed and one Precambrian test drilled and abandoned. Further drilling will be done this year.

In the British Columbia area of the Peace River, permits totalling 139,000 acres have been obtained. Exploratory drilling work will be done this fall and winter.

In northeastern British Columbia, a large acreage position, consisting primarily of permits, has been acquired west of Ft. Nelson (260,000 acres), and in the Petitot-Komie area to the northeast of the Ft. Nelson area (180,000 acres). Both areas are prospective for Middle Devonian reef. West of Ft. Nelson, seismic work has been done on several of the permits and it is anticipated that the first exploratory wells will be drilled in the winter of 1972-73 and additional seismic work completed. In the Petitot-Komie area, considerable seismic work has been completed and one well drilled (BP et al Gote d-37-D). This was a Middle Devonian reef gas discovery which flowed on test at 49 million cubic feet per day but due to hazardous well conditions this well was suspended. BPOG has a 27.5% interest in the well. It is anticipated that two or three reef exploratory tests will be drilled by BPOG in the area during the winter of 1972-73 and further seismic work done.

At Stolberg, in the Alberta foothills, BPOG has a 20% interest in a recent well which encountered a thick section of gas pay in the Mississippian, and in leases and gas licenses covering 26,000 acres in the vicinity. On the basis of the results of this well further development is anticipated.

A large gas discovery was made at Sukunka in the British Columbia foothills by BPOG some years ago, but subsequent drilling by BPOG and others has been unsuccessful, although there has been a recent gas discovery to the south of the acreage block. An extensive seismic program on the eastern part of the acreage is currently under way with the view to drilling in 1973. BPOG has interests varying from 50% to 100% in 178,000 acres.

In northern Alberta, through reservation purchases and farmouts, BPOG has acquired interests, varying from 25% to 100%, in 1.1 million acres in a regional area of interest for Middle Devonian reefs. Six wells were drilled in the winter of 1971-72, primarily to obtain stratigraphic information and further drilling of this magnitude will be necessary over the next two winters.

Elsewhere in northern Alberta, a farmout has been taken on 230,000 acres in the Chinchaga area. A seismic program has been conducted and a well drilled and abandoned. The area has multiple prospects with Slave Point being of particular regional interest. A further well will be drilled during the winter of 1972-73.

BPOG has varying interests (generally 25% to 50%) in 108,000 gross acres in the Meekwap-Sturgeon Lake area of Alberta where there has been an active exploratory and development drilling program for oil in the Nisku zone. Several exploratory wells were drilled by others on BPOG lands and BPOG also participated in some drilling. None of these wells was successful but further wells will be drilled on the prospects developed from this drilling in the fall and winter of 1972-73.

At Stanmore, in southern Alberta, Cretaceous gas has recently been discovered in two zones on BPOG interest lands. Further drilling will be required to determine the extent of this discovery.

In the Northwest Territories mainland, at Fort Good Hope, north of Norman Wells, BPOG has varying interests in 131,000 permit acres and 183,000 lease acres. In the winter of 1971-72 two Silurian test wells, both abandoned, were drilled on the acreage as part of a farmout. The farmee has the option to spend additional sums on exploration to retain its interest.

A farmout has also been made on the Peel Plateau permit, totalling 50,000 gross acres, (BPOG's retained interest being 16 $\frac{2}{3}$ %). The farmee completed 50 miles of seismic work last winter with the option to drill a Silurian test well to earn an interest.

During 1971, BPOG entered into a joint venture to explore for coal in Western Canada. To date, 16,000 acres of coal leases and an option on 7,700 acres have been secured in the Lethbridge area of Alberta. The program is being continued.

Reference is made to the accompanying maps for the location of the foregoing holdings.

Drilling and Exploration Expenditures

The following table shows the expenditures incurred for drilling, exploration, lease acquisition and lease rentals by BPOG for the periods indicated:

Year ended December 31					Six months ended June 30	
1967	1968	1969	1970	1971	1971	1972
(thousands of dollars)						
\$4,212	\$2,772	\$5,572	\$6,362	\$7,352	\$3,062	\$4,845

Production

The following table sets forth the net production of BPOG of crude oil and natural gas liquids, of natural gas and of sales of sulphur for the periods indicated:

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
OIL AND NATURAL GAS LIQUIDS (barrels)							
Alberta							
Chauvin.....	251,502	300,370	359,648	655,191	933,928	428,805	546,549
Redwater.....	584,835	553,617	651,695	700,380	781,488	361,910	465,739
Pembina.....	437,254	458,754	484,086	503,380	492,585	253,189	229,024
Swan Hills.....	239,716	259,882	270,924	318,742	403,455	189,239	198,634
Kaybob South.....	—	—	—	373,585	425,713	207,336	276,626
South Sturgeon Lake...	277,719	264,043	281,853	311,517	338,893	152,867	208,229
Inverness.....	535,336	549,472	370,898	320,910	294,994	146,939	117,793
Other areas.....	658,991	678,519	699,129	794,052	876,376	455,258	523,814
Total Alberta.....	2,985,353	3,064,657	3,118,233	3,977,757	4,547,432	2,195,543	2,566,408
Saskatchewan							
Dollard.....	821,185	690,864	557,595	691,246	643,760	326,708	317,743
Steelman.....	391,698	357,070	305,823	295,503	252,956	138,984	129,014
Weyburn.....	373,778	348,436	312,336	297,436	270,909	136,544	128,027
Other areas.....	924,950	954,409	931,195	987,801	966,223	471,069	464,015
Total Saskatchewan.....	2,511,611	2,350,779	2,106,949	2,271,986	2,133,848	1,073,305	1,038,799
British Columbia.....	367,967	462,564	566,433	532,630	407,599	224,197	176,977
Total oil and natural gas liquids.....	5,864,931	5,878,000	5,791,615	6,782,373	7,088,879	3,493,045	3,782,184

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
NATURAL GAS (mmcf)							
Edson.....	7,781	10,202	9,288	12,042	12,271	6,877	7,655
Okotoks.....	1,952	1,410	1,599	1,516	1,745	861	868
Cessford.....	1,478	1,642	1,525	1,488	1,359	664	659
East Calgary.....	936	1,244	1,240	1,300	1,365	744	686
Other areas.....	2,790	4,145	4,787	6,440	6,656	3,706	3,482
Total natural gas.....	<u>14,937</u>	<u>18,643</u>	<u>18,439</u>	<u>22,786</u>	<u>23,396</u>	<u>12,852</u>	<u>13,350</u>
SULPHUR SALES (long tons)	66,226	64,432	61,208	61,590	58,003	29,457	20,789

Oil and Gas Wells

The following table shows the interest of BPOG in oil and gas wells at June 30, 1972:

	Oil		Gas		Shut-in Gas*	
	Gross	Net	Gross	Net	Gross	Net
Alberta.....	1,216	216.8	267	24.0	33	14.9
British Columbia.....	18	15.4	2	1.0	7	3.4
Saskatchewan.....	1,483	106.3	3	1.4	—	—
Other.....	1	.4	—	—	—	—
	<u>2,718</u>	<u>338.9</u>	<u>272</u>	<u>26.4</u>	<u>40</u>	<u>18.3</u>

*Shut-in wells are those in areas where sufficient reserves to justify pipeline connections have not yet been developed.

Drilling Activities

The following table sets forth the net interest of BPOG in exploratory and development wells drilled by it or in which it has participated and, in the case of no-cost wells, the number of wells drilled.

	Year ended December 31					Six months ended June 30	
	1967	1968	1969	1970	1971	1971	1972
Exploratory wells							
Oil.....	1.0	.9	2.6	.5	2.3	.5	—
Gas.....	.6	1.9	.9	.3	1.3	—	.7
Abandoned.....	<u>7.6</u>	<u>9.5</u>	<u>5.3</u>	<u>12.3</u>	<u>7.9</u>	<u>2.2</u>	<u>7.0</u>
Total.....	<u>9.2</u>	<u>12.3</u>	<u>8.8</u>	<u>13.1</u>	<u>11.5</u>	<u>2.7</u>	<u>7.7</u>
Development wells							
Oil.....	14.2	12.7	9.5	14.1	2.5	.2	—
Gas.....	1.8	.7	2.2	2.7	1.6	.8	.2
Abandoned.....	<u>3.7</u>	<u>1.8</u>	<u>6.1</u>	<u>7.0</u>	<u>2.8</u>	<u>.8</u>	<u>1.0</u>
Total.....	<u>19.7</u>	<u>15.2</u>	<u>17.8</u>	<u>23.8</u>	<u>6.9</u>	<u>1.8</u>	<u>1.2</u>
No-cost wells*							
Oil.....	8	11	14	1	1	3	1
Gas.....	—	3	—	3	1	2	1
Abandoned.....	<u>20</u>	<u>26</u>	<u>54</u>	<u>13</u>	<u>5</u>	<u>12</u>	<u>—</u>
Total.....	<u>28</u>	<u>40</u>	<u>68</u>	<u>17</u>	<u>7</u>	<u>17</u>	<u>2</u>

*No-cost wells are wells drilled by others at no cost to BPOG in order to evaluate lands held by it. BPOG receives varying interests in the proceeds of production, if any, from these wells.

Reserves

The following table sets forth a summary of the estimated net reserves of BPOG as at June 30, 1972. These estimates were prepared by DeGolyer and MacNaughton, Dallas, Texas, independent oil and gas consultants, based on factual data as to interests owned furnished for the purpose by BPOG:

	<u>Proven developed⁽¹⁾</u>	<u>Probable additional⁽²⁾</u>	<u>Total</u>
Reserves of oil and natural gas liquids (barrels).....	91,469,000	3,503,000	94,972,000
Reserves of natural gas (mmcf).....	536,000	67,000	603,000
Reserves of sulphur (long tons).....	1,238,000	139,000	1,377,000

NOTES:

(1) Proven developed reserves are considered to be those reserves which, to a high degree of certainty, are recoverable at commercial rates under present depletion methods and current operating conditions, prices and costs.

(2) Probable additional reserves are those additional reserves which are considered to be commercially recoverable as the result of more favourable performance of the existing recovery mechanisms than that which can be deemed to be proven at the present time, or due to the beneficial effects which may be derived from the future institution of some form of pressure maintenance or secondary recovery method. Probable additional reserves also include those reserves which may be reasonably assumed to exist based on geological and geophysical indications and drilling done in reservoirs which contain proven developed reserves.

(3) These reserves do not include any figure for the BP et al Gote d-37-D well referred to on page 23 due to lack of information as to reservoir thickness and extent.

BPOG has an interest in large quantities of heavy oil in both the Cold Lake area and the Athabasca Tar Sands. These reserves are not included in the above figures as no economical means of commercial production has been established for these properties under present conditions.

Exploration Holdings

The following table sets forth, as at June 30, 1972, the locations of the working interest holdings of BPOG in petroleum and natural gas rights (reservations, permits, options and leases):

	Reservations, permits and options		Leases		Total reservations, permits, options and leases	
	Gross acres	Net acres	Gross acres	Net acres	Gross acres	Net acres
Alberta.....	2,695,296	1,341,940	1,279,087	722,333	3,974,383	2,064,273
Saskatchewan.....	—	—	128,251	62,722	128,251	62,722
British Columbia.....	584,563	210,813	345,132	327,095	929,695	537,908
Northwest Territories.....	118,998	66,232	245,120	96,915	364,118	163,147
Offshore East Coast.....	14,857,940	6,823,269	—	—	14,857,940	6,823,269
Arctic Islands.....	9,112,961	634,371	—	—	9,112,961	634,371
Quebec.....	182,800	9,140	—	—	182,800	9,140
Ontario.....	—	—	27,409	11,376	27,409	11,376
Other.....	7,649	2,550	16,405	5,468	24,054	8,018
Total.....	<u>27,560,207</u>	<u>9,088,315</u>	<u>2,041,404</u>	<u>1,225,909</u>	<u>29,601,611</u>	<u>10,314,224</u>

In addition to BPOG's direct interest in production and exploration activities, BPOG owns a 34.75% share interest in British Columbia Oil Lands Ltd. ("B.C. Oil Lands"). B.C. Oil Lands has a 3.15% interest in 1,526,000 acres in the onshore parts of the Arctic Islands, including the lands on which the Drake Point gas field on Melville Island and the King Christian Island gas discovery are located, and a 6.17% interest in 931,000 acres in the offshore area of the Sverdrup Basin adjacent to the Sabine Peninsula. B.C. Oil Lands also has various working, carried and royalty interests in 455,000 gross acres in the Middle Devonian Reef area of northeast British Columbia and a working interest in 4,500 acres of productive leases in the Mitsue oilfield in Alberta. The carried interest acreage in British Columbia includes interest in the Kotcho, Kathy, Yoyo, Louise and Cabin gas fields and in certain wildcat gas discoveries.

COMPARATIVE FINANCIAL DATA

The consolidated statements of income, retained earnings and source and application of funds of BP Canada for the five years and six months ended June 30, 1972 are set out on pages 34, 35 and 36. Included with the consolidated statement of income is a calculation of pro forma consolidated net income and earnings per share of the Amalgamated Corporation for the year ended December 31, 1971 and the six-month periods ended June 30, 1971 and 1972 giving effect to the transactions described in Note 2 on page 37.

The consolidated statements of income and retained earnings and of source and application of funds of BPOG for the same periods are set out on pages 44 and 45.

Income

The consolidated income of BP Canada and of BPOG and the pro forma consolidated income of the Amalgamated Corporation for the year 1971 and the six-month periods ended June 30, 1971 and 1972 are as follows:

	Year ended December 31, 1971	Six months ended June 30	
		1971	1972
BP Canada			
Income before extraordinary items.....	\$12,997,000	\$ 5,550,000	\$ 7,172,000
Per share.....	\$0.75	\$0.32	\$0.41
Net income.....	\$15,347,000	\$ 6,650,000	\$ 8,872,000
Per share.....	\$0.88	\$0.38	\$0.51
BPOG			
Net income.....	\$ 7,768,000	\$ 3,787,000	\$ 4,432,000
Per share.....	\$0.28	\$0.14	\$0.16
Per share—after 1 for 2½ consolidation.....	\$0.71	\$0.35	\$0.41
Amalgamated Corporation—pro forma			
Income before extraordinary items.....	\$15,648,000	\$ 6,841,000	\$ 8,685,000
Per share ⁽¹⁾	\$0.75	\$0.33	\$0.41
Net income.....	\$17,998,000	\$ 7,941,000	\$10,385,000
Per share ⁽¹⁾	\$0.86	\$0.38	\$0.49

(1) Based on the 20,999,823.8 common shares which would be outstanding.

Funds Derived from Operations

The following table shows the consolidated funds derived from operations of BP Canada, the adjusted funds derived if 34.1% of the funds derived from operations of BPOG were deducted, the consolidated funds derived from operations of BPOG and the pro forma consolidated funds derived from operations of the Amalgamated Corporation for the year 1971 and the six-month periods ended June 30, 1971 and 1972:

	Year ended December 31, 1971	Six months ended June 30	
		1971	1972
BP Canada			
\$37,290,000	\$17,422,000	\$20,739,000	
Deduct 34.1% of BPOG included.....	5,137,000	2,491,000	2,876,000
BP Canada adjusted	\$32,153,000	\$14,931,000	\$17,863,000
Per share before adjustment.....	\$2.16	\$1.01	\$1.20
Per share after adjustment.....	\$1.86	\$0.86	\$1.03
BPOG	\$15,065,000	\$ 7,306,000	\$ 8,432,000
Per share.....	\$0.55	\$0.27	\$0.31
Per share—after 1 for 2½ consolidation.....	\$1.38	\$0.67	\$0.77
Amalgamated Corporation—pro forma	\$37,290,000	\$17,422,000	\$20,739,000
Per share ⁽¹⁾	\$1.78	\$0.83	\$0.99

(1) Based on the 20,999,823.8 common shares which would be outstanding.

Price Ranges of Shares

The common shares of BP Canada are listed on the Toronto and Montreal stock exchanges and the common shares of BPOG are listed on the Toronto, Montreal, Calgary and Vancouver stock exchanges. The high and low sale prices of the shares on The Toronto Stock Exchange during the past five years in the case of BPOG and during 1972 to date in the case of both companies are set out below. Market prices for the shares of BP Canada for the prior periods have not been included because they are not representative. The acquisition of the BP petroleum interests in Canada in December, 1971 substantially changed the nature of BP Canada.

	BP Canada		BPOG	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1967.....			\$3.05	\$1.72
1968.....			4.20	2.08
1969.....			6.15	3.50
1970.....			5.95	2.75
 1971				
First quarter.....			6.65	5.70
Second quarter.....			7.05	6.15
Third quarter.....			7.60	6.45
Fourth quarter.....			6.95	5.20
 1972				
January.....	\$14 $\frac{3}{4}$	\$11 $\frac{3}{4}$	6.30	5.60
February.....	14 $\frac{3}{4}$	13 $\frac{5}{8}$	6.60	5.45
March.....	16 $\frac{5}{8}$	14 $\frac{3}{4}$	6.10	5.50
April.....	16 $\frac{1}{2}$	14 $\frac{1}{2}$	5.65	5.10
May.....	16	14 $\frac{1}{2}$	5.25	4.80
June.....	16 $\frac{1}{4}$	14 $\frac{1}{2}$	5.30	4.90
July.....	16 $\frac{1}{8}$	15	5.30	5.00
August.....	17 $\frac{7}{8}$	15 $\frac{3}{8}$	6.00	5.15
September 1st to 14th..	17 $\frac{5}{8}$	17 $\frac{1}{8}$	5.90	5.50

The closing prices of the common shares of BP Canada and BPOG, respectively, on The Toronto Stock Exchange on September 14, 1972 were \$17 $\frac{3}{8}$ and \$5.70. The terms of the proposed amalgamation were announced in a press release after the close of the stock exchanges on that day.

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AUDITORS' REPORT

To the Directors of
BP CANADA LIMITED:

We have examined the consolidated balance sheet of BP Canada Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings, and source and application of funds for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For the years 1967 to 1970, we have relied on the reports of other Chartered Accountants who examined the financial statements of the company (then Supertest Petroleum Corporation, Limited) and the companies which were then its subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the five years then ended, in accordance with generally accepted accounting principles applied, except for the change to the full-cost method of accounting for exploration and development costs referred to in note 1, on a consistent basis.

Montreal, Canada
March 6, 1972

CLARKSON, GORDON & Co.
Chartered Accountants

BP CANADA LIMITED
 (Incorporated under the laws of Ontario)
AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

	(thousands of dollars)		
	December 31, 1971	June 30, 1972	Pro forma June 30, 1972 (note 2)
Current:			
Cash and short term investments, at cost which approximates market.....	\$ 5,227	\$ 1,672	\$ 1,672
Accounts receivable.....	47,465	43,927	43,927
Inventory, valued at the lower of cost or market.....	23,490	22,691	22,691
Prepaid expenses and deposits.....	2,092	1,780	1,780
Total current assets.....	<u>78,274</u>	<u>70,070</u>	<u>70,070</u>
Investments and advances:			
Investments in other companies (note 3).....	4,636	4,938	4,938
Mortgages, loans and long term deposits.....	7,849	8,027	8,027
Lease payments, at amortized cost.....	1,178	1,109	1,109
Total investments and advances.....	<u>13,663</u>	<u>14,074</u>	<u>14,074</u>
Property, plant and equipment, at cost less accumulated depreciation and depletion (note 4).....	<u>265,188</u>	<u>264,971</u>	<u>264,971</u>
	<u><u>\$357,125</u></u>	<u><u>\$349,115</u></u>	<u><u>\$349,115</u></u>

On behalf of the Board:

D. F. MITCHELL, Director

M. SAUVÉ, Director

See accompanying notes

BP CANADA LIMITED
 (Incorporated under the laws of Ontario)
AND SUBSIDIARIES

Consolidated Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

	(thousands of dollars)		
	December 31, 1971	June 30, 1972 (unaudited)	Pro forma June 30, 1972 (note 2) (unaudited)
Current:			
Bank loan.....	\$ 7,200	\$ 2,100	\$ 2,100
Notes payable.....	7,000	—	—
Accounts payable and accrued charges.....	36,754	34,423	34,423
Due to affiliates—net (note 5).....	225	1,414	1,414
Dividends payable.....	222	1,314	1,314
Current maturities of long term debt.....	6,556	4,904	4,904
Deferred production income.....	2,062	1,134	1,134
Tax on undistributed income (note 2).....	—	—	336
Total current liabilities.....	60,019	45,289	45,625
Gas supply contract advances.....	1,546	1,510	1,510
Long term debt (note 6).....	65,184	62,200	62,200
Deferred income taxes (note 9).....	—	700	700
Minority interest in subsidiary.....	27,122	28,635	—
Shareholders' equity:			
Capital stock (note 7).....	158,268	158,268	185,408
Retained earnings.....	44,986	52,513	53,672
Total shareholders' equity.....	203,254	210,781	239,080
	\$357,125	\$349,115	\$349,115

See accompanying notes

BP CANADA LIMITED
AND SUBSIDIARIES

Consolidated Statement of Retained Earnings

	(thousands of dollars)						
	Year ended December 31,					Six months ended June 30, (unaudited)	
	1967	1968	1969	1970	1971	1971	1972
Retained earnings (deficit), beginning of the period.....	\$ (32,827)	\$ (32,924)	\$ (26,272)	\$ 20,856	\$ 30,852	\$ 30,852	\$ 44,986
Net income for the period.....	510	7,373	4,819	10,857	15,347	6,650	8,872
Premiums paid on acquisition of going concerns.....	(113)	(230)	(427)	(375)	(730)	(723)	(12)
Dividends declared.....	(494)	(491)	(487)	(486)	(483)	(242)	(1,333)
Application of deficit to contributed surplus (note 8).....	—	—	43,223	—	—	—	—
Retained earnings (deficit), end of the period.....	<u>\$ (32,924)</u>	<u>\$ (26,272)</u>	<u>\$ 20,856</u>	<u>\$ 30,852</u>	<u>\$ 44,986</u>	<u>\$ 36,537</u>	<u>52,513</u>
Pro forma adjustments—							
Retained earnings applicable to minority interest in BP Oil and Gas Ltd.							1,495
Tax on undistributed income (note 2).							(336)
Pro forma retained earnings, end of the period.....							<u>\$ 53,672</u>

See accompanying notes

BP CANADA LIMITED
AND SUBSIDIARIES

Consolidated Statement of Income

	(thousands of dollars)					
	Year ended December 31,					Six months ended June 30, (unaudited)
	1967	1968	1969	1970	1971	1971
Revenue:						
Sales and services.....	\$199,248	\$211,279	\$219,282	\$235,019	\$257,666	\$124,539
Less federal sales taxes.....	10,747	11,582	12,087	12,931	14,523	6,484
	188,501	199,697	207,195	222,088	243,143	118,055
Income from investments.....	1,114	1,991	957	994	1,547	634
	189,615	201,688	208,152	223,082	244,690	118,689
						132,062
Expenses:						
Purchases of crude oil, products and merchandise.....	105,538	109,797	112,986	119,570	133,647	65,260
Operating and administration.....	53,634	53,707	58,892	65,274	67,308	33,489
Depreciation (note 4).....	12,208	13,104	13,322	12,920	13,264	6,557
Depletion (notes 1 and 4).....	5,166	4,973	4,435	5,752	6,572	3,068
Rentals on non-producing properties, abandonments and exploration (note 1).....	4,229	4,493	6,348	—	—	—
Interest and discount on long term debt	5,861	5,560	5,245	5,266	4,651	2,374
	186,636	191,634	201,228	208,782	225,442	110,748
						120,977
Income before income taxes, minority interest and extraordinary items....	2,979	10,054	6,924	14,300	19,248	7,941
Income taxes (note 9).....	1,498	3,786	1,233	3,000	3,600	1,100
	1,481	6,268	5,691	11,300	15,648	6,841
Minority interest in income of subsidiary.....	971	1,145	1,082	2,096	2,651	1,291
Income before extraordinary items.....	510	5,123	4,609	9,204	12,997	5,550
Extraordinary items:						
Income tax credit (note 9).....	—	2,250	210	1,653	3,100	1,100
Expenses in connection with acquisition of BP petroleum interests.....	—	—	—	—	(250)	—
Provision for costs of integration (after income taxes of \$500,000).....	—	—	—	—	(500)	—
	—	2,250	210	1,653	2,350	1,100
Net income for the period.....	\$ 510	\$ 7,373	\$ 4,819	\$ 10,857	\$ 15,347	\$ 6,650
						\$ 8,872
Income per common share (note 7):						
Before extraordinary items.....	.02	.29	.26	.53	.75	.32
Extraordinary items.....	—	.13	.01	.09	.13	.06
Net income for the period.....	<u>.02</u>	<u>.42</u>	<u>.27</u>	<u>.62</u>	<u>.88</u>	<u>.38</u>
Pro forma net income (note 2):						
Before extraordinary items.....					\$ 15,648	\$ 6,841
Extraordinary items.....					2,350	1,100
Net income for the period.....					\$ 17,998	\$ 7,941
Pro forma income per common share (note 2):						
Before extraordinary items.....					\$.75	\$.33
Extraordinary items.....					.11	.05
Net income for the period.....					<u>\$.86</u>	<u>\$.38</u>

See accompanying notes

BP CANADA LIMITED
AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds

(thousands of dollars)

	Year ended December 31,					Six months ended June 30,	
	1967	1968	1969	1970	1971	1971	1972
						(unaudited)	
Funds derived from:							
Net income for the period.....	\$ 510	\$ 7,373	\$ 4,819	\$ 10,857	\$ 15,347	\$ 6,650	\$ 8,872
Add (deduct) items not resulting in a flow of funds in the current period:							
Depreciation and depletion (notes 1 and 4).....	17,374	18,077	17,757	18,672	19,836	9,625	10,405
Deferred income tax provision (note 9).....	—	—	—	—	—	—	700
Write-off of rentals on non-producing properties (note 1).....	4,229	4,493	6,348	—	—	—	—
Income attributable to minority interest.....	971	1,145	1,082	2,096	2,651	1,291	1,513
Profit on redemption of long term debt.....	(189)	(188)	(365)	(1,220)	(234)	(227)	(209)
Other.....	394	(1,004)	16	(1,165)	(310)	83	(542)
Total funds derived from operations.....	23,289	29,896	29,657	29,240	37,290	17,422	20,739
Shares sold by subsidiary to minority interest.....	—	—	—	8,668	36	10	—
Long term borrowing.....	600	863	6,604	800	22	—	—
Proceeds on sale of property, plant and equipment.....	1,491	3,236	2,099	2,523	2,803	596	1,741
Increase in capital contributed by parent company.....	234	235	(193)	3,463	2,143	693	—
Net increase in gas supply contract advances.....	—	—	909	736	—	—	—
Total funds derived.....	25,614	34,230	39,076	45,430	42,294	18,721	22,480
Funds applied to:							
Additions to property, plant and equipment.....	22,987	21,390	40,920	26,810	29,729	11,936	11,253
Repayments of long term debt.....	5,680	6,387	7,363	13,447	9,588	3,339	2,774
Net repayments of gas supply contract advances.....	—	—	—	—	100	—	36
Net increase in investments and advances.....	(1,077)	(296)	125	688	1,053	82	118
Redemption of preference shares.....	9	91	40	10	63	43	—
Acquisition of minority interest in a subsidiary.....	2,486	—	—	—	—	—	—
Premiums paid on acquisition of going concerns.....	113	230	427	375	730	723	12
Dividends.....	494	491	487	486	483	242	1,333
Total funds applied.....	30,692	28,293	49,362	41,816	41,746	16,365	15,526
Net increase in working capital.....	(5,078)	5,937	(10,286)	3,614	548	2,356	6,954
Working capital, beginning of the period	23,092	18,014	23,951	13,665	17,279	17,279	17,827
Working capital, end of the period.....	\$ 18,014	\$ 23,951	\$ 13,665	\$ 17,279	\$ 17,827	\$ 19,635	\$ 24,781

See accompanying notes

BP CANADA LIMITED
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Information as at June 30, 1972, for the six months ended June 30, 1971 and June 30, 1972,
pro forma information as at June 30, 1972, and pro forma information for the year ended December 31, 1971
and for the six months ended June 30, 1971 and June 30, 1972 is unaudited)

1. Accounting policies

The consolidated financial statements include the accounts of the company and all its subsidiaries.

The petroleum marketing, refining and exploration interests of the BP Group in Canada were acquired by the company for shares in 1971, and the assets, liabilities and retained earnings of those companies have been consolidated at their carrying values in their respective financial statements; the results of their operations have been retroactively included with those of the company and its subsidiaries for the periods presented.

Prior to 1970 the companies followed the practice of expensing carrying charges on non-producing acreage as incurred and non-productive drilling, exploration and property costs at the time a project was abandoned. Depletion of producing property costs was provided on the unit of production method based on estimated proven reserves of oil and gas for each producing area. Effective January 1, 1970, the companies adopted the full-cost method of accounting whereby all costs related to the exploration for and the development of oil and gas reserves, whether related to productive or non-productive properties, are capitalized. Proceeds received from the disposal of properties are credited against these costs, and the net costs are amortized by the composite unit of production method based on total estimated proven reserves. Had this change been made on January 1, 1969, net income for that year would have been increased by \$6,101,000.

2. Pro forma transactions

The pro forma consolidated balance sheet and the calculation of pro forma consolidated retained earnings and net income give effect to the following transactions:

- (a) contingent on the approval by the shareholders of BP Oil and Gas Ltd.,
 - (i) the continuation of BP Oil and Gas Ltd. as a company incorporated under the laws of Ontario; and
 - (ii) the consolidation of the shares of BP Oil and Gas Ltd. in the ratio of one consolidated share for each $2\frac{1}{2}$ shares presently outstanding;
- (b) contingent on the approval of the shareholders of both BP Canada Limited and BP Oil and Gas Ltd., the amalgamation of BP Canada Limited and BP Oil and Gas Ltd. into a new company (the "Amalgamated Corporation") pursuant to the amalgamation agreement annexed as Appendix A to this information circular of which these financial statements form a part, resulting in:
 - (i) the issue of 17,268,889 common shares of the Amalgamated Corporation on conversion of the presently outstanding common shares of BP Canada Limited on a one for one basis;
 - (ii) the issue of 15,219 preference shares of the Amalgamated Corporation on conversion of the presently outstanding preference shares of BP Canada Limited on a one for one basis;
 - (iii) the issue of 3,730,934.8 common shares of the Amalgamated Corporation on conversion of the outstanding shares of BP Oil and Gas Ltd. held by shareholders of that company other than BP Canada Limited, on a one for one basis (after the consolidation of the shares of BP Oil and Gas Ltd. as per (a) (ii) above); and
 - (iv) the continuation in the Amalgamated Corporation of the share options presently outstanding to officers and employees of BP Oil and Gas Ltd., under which options to purchase a total of 37,000 present shares of BP Oil and Gas Ltd. at prices ranging from \$3.33 to \$5.31 exercisable as to 20% annually on a cumulative basis, will become options to purchase 14,800 common shares of the Amalgamated Corporation at prices ranging from \$8.32 $\frac{1}{2}$ to \$13.27 $\frac{1}{2}$ per share.

The pro forma consolidated balance sheet and the calculation of pro forma consolidated retained earnings also give effect to the election by BP Oil and Gas Ltd. to pay, prior to the amalgamation, a tax of 15% on \$2,243,000 of its 1971 undistributed income on hand. Consolidated working capital at June 30, 1972 would thereby be reduced on a pro forma basis by \$336,000. The \$1,907,000 of tax-paid undistributed surplus on hand resulting from payment of the tax will be available for tax-free distribution to shareholders of the Amalgamated Corporation.

No provision has been made for the expenses related to these transactions estimated at \$500,000 which will be borne by the Amalgamated Corporation.

3. Investments in other companies

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
Shares of effectively controlled companies, at equity.....	\$ 139	\$ 339
Investments in other companies, at cost:		
Not quoted.....	3,607	3,709
Quoted (market value December 31, 1971—\$2,729,000; June 30, 1972—\$2,331,000).....	890	890
	<u>\$4,636</u>	<u>\$4,938</u>

4. Property, plant and equipment

	December 31, 1971		
	(thousands of dollars)		
	Investment at cost	Accumulated depreciation and depletion	Net investment
Production.....	\$191,292	\$ 69,724*	\$121,568
Refining.....	101,900	46,610	55,290
Marketing.....	145,200	56,870	88,330
	<u>\$438,392</u>	<u>\$173,204</u>	<u>\$265,188</u>

*includes depletion of \$52,414,000.

	June 30, 1972		
	(thousands of dollars)		
	Investment at cost	Accumulated depreciation and depletion	Net investment
Production.....	\$198,855	\$ 74,356*	\$124,499
Refining.....	102,211	48,873	53,338
Marketing.....	146,294	59,160	87,134
	<u>\$447,360</u>	<u>\$182,389</u>	<u>\$264,971</u>

*includes depletion of \$56,150,000.

Depreciation on marketing, refining and production assets is provided on a straight line basis over the estimated useful lives of the assets and depletion (since January 1, 1970) by the full-cost method based on estimated proven oil and gas reserves.

5. Due to affiliates

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
Purchases of crude and product.....	\$282	\$6,537
Less: Due from parent company.....	—	(5,070)
Miscellaneous intercompany accounts.....	(57)	(53)
Net due to affiliates.....	<u>\$225</u>	<u>\$1,414</u>

6. Long term debt

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
BP Canada Limited:		
Mortgage loans payable.....	\$ 274	\$ 190
BP Oil Limited:		
Mortgage loans payable.....	261	233
Notes due 1972 to 1975 (average rate 5.8%).....	10,000	10,000
BP Refinery Canada Limited (a subsidiary of BP Oil Limited):		
5½% first mortgage sinking fund bonds Series A maturing March 15, 1979.....	8,711	7,626
5¾% sinking fund debentures Series A maturing October 1, 1986.....	27,708	26,806
Supertest Investments and Petroleum Limited (a subsidiary of BP Oil Limited):		
Bank loans secured by certain oil and gas properties, payable over a period of four years....	1,929	1,651
BPOG Operations Ltd. (a subsidiary of BP Oil and Gas Ltd.):		
Bank loans secured by certain oil and gas properties, payable over a period of five years....	3,381	2,993
6¼% Series B Notes payable monthly to July 15, 1980 out of proceeds of production from certain properties.....	19,476	17,605
Less current maturities included in current liabilities.....	71,740	67,104
	6,556	4,904
	<u>\$65,184</u>	<u>\$62,200</u>

In addition to the current maturities included in current liabilities at June 30, 1972, it is estimated that further repayments of the 6½% Series B Notes from production proceeds during 1972 will amount to \$1,600,000. Long term repayments and sinking fund requirements during the four years subsequent to December 31, 1972 are approximately as follows:

1973.....	\$8,211,000	1974.....	\$9,019,000
1975.....	\$7,278,000	1976.....	\$5,497,000

7. Capital stock

	December 31, 1971	June 30, 1972	June 30, 1972 (note 2)
--	----------------------	------------------	------------------------------

(thousands of dollars)

Authorized:

27,219 preference shares of \$100 par value each, of which 15,219 are designated 5% cumulative redeemable sinking fund preference shares of \$100 par value each redeemable for \$103 or at par for sinking fund purposes
Nil Class A fully participating non-voting shares without par value (344,390 at December 31, 1971)
30,000,000 common shares without par value

Issued:

15,219 5% cumulative redeemable sinking fund preference shares.....	\$ 1,522	\$ 1,522	\$ 1,522
Nil Class A fully participating non-voting shares (344,390 at December 31, 1971).....	156,746	—	—
17,268,889 common shares (17,219,500 at December 31, 1971).....		156,746	—
(20,999,823.8 pro forma at June 30, 1972—(note 2))	—	—	183,886
	<u>\$158,268</u>	<u>\$158,268</u>	<u>\$185,408</u>

Under the terms of the agreement for the acquisition of the petroleum interests of the BP group in Canada, BP Canadian Holdings Limited offered to purchase for \$20 each all except 41,590 of the outstanding Class A shares and to donate all shares so acquired to the company. During 1972 a total of 295,001 shares were donated and cancelled, and the remaining 49,389 Class A shares were converted to common shares on a share for share basis. The per share calculations in these financial statements give retroactive effect to the donation, cancellation and conversion of the Class A shares.

8. Contributed surplus

	Year ended December 31,		
	1967	1968	1969
Contributed surplus, beginning of the year.....	\$1,024	\$1,024	\$ 1,024
Forgiveness of debt.....	—	—	42,199
			<u>\$43,223</u>
Application of deficit.....	—	—	43,223
Contributed surplus, end of the year.....	<u>\$1,024</u>	<u>\$1,024</u>	<u>\$ —</u>

During 1969, indebtedness due to the parent company or affiliates in the amount of \$42,199,000 was waived and forgiven without consideration, which forgiveness was recorded by crediting that amount to contributed surplus. Deficits in these companies were subsequently applied to eliminate contributed surplus.

9. Income taxes

Under Canadian income tax law, drilling, exploration and lease acquisition costs may be deducted from income and any amounts not deducted may be carried forward to subsequent years. Although the utilization of the maximum available deductions may eliminate or reduce current income tax liability, it may also result in the payment of higher taxes in the future when recorded charges against income exceed those available for tax purposes. Directly influencing the timing and amount of this future liability, however, are additional deductions available from continuing exploration and development investment which will result in further deferment of tax liability. For these reasons the companies, in common with many other companies in the oil and gas industry, do not consider it appropriate to provide for income taxes deferred as a result of claiming deductions for tax purposes greater than the related charges in the accounts. This practice differs from the tax allocation basis of accounting

recommended by the Canadian Institute of Chartered Accountants which requires that income taxes be provided for on the basis of income reported in the accounts. If the companies had provided for deferred taxes with respect to these timing differences, the effect would be as follows:

	Increase in deferred income taxes	Decrease in net income (net of minority interest)	Per share
	(thousands of dollars)		(note 7)
Year ended December 31			
1967.....	\$1,122	\$ 701	\$.04
1968.....	1,702	1,282	.07
1969.....	2,163	1,588	.09
1970.....	2,810	2,090	.12
1971.....	5,335	4,350	.25
Six months ended June 30			
1971.....	2,435	1,951	.11
1972.....	2,640	2,081	.12

After giving effect to the pro forma transactions described in note 2, the increase in deferred income taxes and the decrease in pro forma net income would be as follows:

	Increase in deferred income taxes	Decrease in pro forma net income	Per share
	(thousands of dollars)		(note 2)
Year ended December 31, 1971.....			
	\$5,335	\$5,335	\$.25
Six months ended June 30			
1971.....	2,435	2,435	.12
1972.....	2,640	2,640	.13

The accumulated deferred income tax credit for current and prior years would have been approximately \$14.8 million at June 30, 1972 (\$12.2 million at December 31, 1971).

In addition, on a cumulative basis the capital cost allowances claimed to eliminate taxable income have been significantly less than the related depreciation charged in the accounts. This difference has been available as a deduction in the determination of taxable income of subsequent years; the resulting tax benefits have been reflected in the accounts as extraordinary items when realized. The aggregate unrecorded potential reduction in future income taxes is estimated to be approximately \$9.0 million at June 30, 1972, (\$10.4 million at December 31, 1971).

In the six-month period ended June 30, 1972 the capital cost allowances claimed by one subsidiary exceeded, on a cumulative basis, the related depreciation charged in its accounts, resulting in a provision for deferred income taxes of \$700,000.

10. Pension plan

The companies' pension plan provides retirement benefits for substantially all employees. A recent actuarial valuation indicated that all liabilities of the plan were fully funded by assets held by the trustees.

11. Commitments

The companies have commitments in the ordinary course of business for the acquisition or construction of fixed assets which are not significant in relation to their net assets. Total rentals under leases expiring more than three years after December 31, 1971 amounted to approximately \$19.5 million of which \$2.2 million is payable in 1972.

12. Refinery expansion

The company has announced plans to double the capacity of the Trafalgar refinery to approximately 78,000 barrels per day. The new facilities are scheduled to be in operation towards the end of 1974. Tenders have been invited from contractors and the cost of the new facilities is estimated at approximately \$55 million.

AUDITORS' REPORT

To the Directors of
BP OIL AND GAS LTD.:

We have examined the consolidated balance sheet of BP Oil and Gas Ltd. and its subsidiaries as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the five years then ended, in accordance with generally accepted accounting principles applied, except for the change to the full-cost method of accounting for exploration and development costs referred to in note 1, on a consistent basis.

Calgary, Canada
February 21, 1972

CLARKSON, GORDON & Co.
Chartered Accountants

BP OIL AND GAS LTD.
 (Incorporated under the laws of Alberta)
AND SUBSIDIARIES

Consolidated Balance Sheet

	ASSETS	
	(thousands of dollars)	
	December 31, 1971	June 30, 1972
		(unaudited)
Current:		
Cash.....	\$ 215	\$ 196
Short term investments at market which is lower than cost.....	2,251	1,011
Accounts receivable—		
Affiliates.....	2,038	1,835
Other.....	2,531	1,903
Inventory of sulphur and supplies at lower of cost or net realizable value, and prepaid expenses.....	1,111	1,256
Total current assets.....	<u>8,146</u>	<u>6,201</u>
Investments and advances:		
Investments in other companies (note 2).....	1,018	1,018
Deposits and long term receivables.....	278	315
Total investments and advances.....	<u>1,296</u>	<u>1,333</u>
Property, plant and equipment, at cost (note 1)		
Petroleum and natural gas rights.....	130,335	135,195
Less accumulated depletion.....	46,509	49,696
	<u>83,826</u>	<u>85,499</u>
Production and other equipment.....	30,628	31,264
Less accumulated depreciation.....	14,040	14,828
	<u>16,588</u>	<u>16,436</u>
Total property, plant and equipment.....	<u>100,414</u>	<u>101,935</u>
Other:		
Financing costs less amortization.....	77	72
	<u>\$109,933</u>	<u>\$109,541</u>

On behalf of the Board:

D. F. MITCHELL, Director

I. N. MCKINNON, Director

See accompanying notes

BP OIL AND GAS LTD.
 (Incorporated under the laws of Alberta)
AND SUBSIDIARIES

Consolidated Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY

	(thousands of dollars)	
	December 31, 1971	June 30, 1972
Current:		(unaudited)
Bank loan.....	\$ 200	\$ —
Accounts payable and accrued liabilities.....	3,801	2,477
Current maturities of long term debt.....	1,754	794
Deferred production income.....	2,062	1,057
Total current liabilities.....	7,817	4,328
Gas supply contract advances.....	1,546	1,510
Long term debt (note 3).....	21,103	19,804
Shareholders' equity:		
Share capital (note 5)		
Authorized: 35,000,000 shares of no par value		
Issued: 27,328,927 shares.....	79,519	79,519
Retained earnings (deficit).....	(52)	4,380
Total shareholders' equity.....	79,467	\$3,899
	\$109,933	\$109,541

See accompanying notes

BP OIL AND GAS LTD.
AND SUBSIDIARIES

Consolidated Statement of Income and Retained Earnings

	(thousands of dollars)						
	Year ended December 31,					Six months ended June 30, (unaudited)	
	1967	1968	1969	1970	1971	1971	1972
Production revenue.....	\$ 18,671	\$ 18,885	\$ 18,175	\$20,578	\$22,729	\$11,247	\$12,239
Investment income.....	150	219	78	150	501	133	56
	<u>18,821</u>	<u>19,104</u>	<u>18,253</u>	<u>20,728</u>	<u>23,230</u>	<u>11,380</u>	<u>12,295</u>
Deduct:							
Operating expenses.....	3,279	3,521	3,622	4,155	4,766	2,180	2,273
Administrative and general expenses.....	883	819	1,081	1,823	1,632	983	907
Interest on long term debt.....	3,967	3,646	3,300	2,505	1,767	911	683
	<u>8,129</u>	<u>7,986</u>	<u>8,003</u>	<u>8,483</u>	<u>8,165</u>	<u>4,074</u>	<u>3,863</u>
Income before the following deductions.....	10,692	11,118	10,250	12,245	15,065	7,306	8,432
Deduct:							
Depletion (note 1).....	4,498	4,295	3,745	4,968	5,469	2,613	3,171
Depreciation (note 1).....	1,318	1,446	1,589	1,729	1,819	901	824
Rentals on non-producing properties (note 1).....	626	697	745	—	—	—	—
Abandonments and exploration expenses (note 1).....	1,812	1,674	1,395	—	—	—	—
Debt discount and expenses written-off.....	87	74	26	9	9	5	5
Discount on purchases of 4 3/4% Notes.....	(147)	(131)	(144)	(4)	—	—	—
Minority interest in earnings of subsidiary.....	60	—	—	—	—	—	—
	<u>8,254</u>	<u>8,055</u>	<u>7,356</u>	<u>6,702</u>	<u>7,297</u>	<u>3,519</u>	<u>4,000</u>
Income before extraordinary items.....	2,438	3,063	2,894	5,543	7,768	3,787	4,432
Extraordinary items (note 6).....	—	—	—	604	—	—	—
Net income for the period.....	2,438	3,063	2,894	6,147	7,768	3,787	4,432
Deficit, beginning of period.....	22,362	19,924	16,861	13,967	7,820	7,820	52
Retained earnings (deficit), end of period	<u>\$(19,924)</u>	<u>\$(16,861)</u>	<u>\$(13,967)</u>	<u>\$(7,820)</u>	<u>\$ (52)</u>	<u>\$(4,033)</u>	<u>\$ 4,380</u>
Income per share:							
Income before extraordinary items.....	.14	.17	.16	.22	.28	.14	.16
Extraordinary items.....	—	—	—	.03	—	—	—
Net income for the period.....	<u>\$.14</u>	<u>\$.17</u>	<u>\$.16</u>	<u>\$.25</u>	<u>\$.28</u>	<u>\$.14</u>	<u>\$.16</u>

See accompanying notes

BP OIL AND GAS LTD.
AND SUBSIDIARIES

Consolidated Statement of Source and Application of Funds

	(thousands of dollars)							
	Year ended December 31,					Six months ended June 30,		
	1967	1968	1969	1970	1971	1971	1972	
Funds derived from:								
Income before depletion and depreciation.....	\$ 10,692	\$ 11,118	\$ 10,250	\$ 12,245	\$ 15,065	\$ 7,306	\$ 8,432	
Issue of share capital.....	—	—	—	34,396	37	10	—	
Long term borrowing.....	600	750	4,475	800	—	—	—	
Gas supply contract advances..	—	—	780	939	4	—	—	
Sale of shares of wholly-owned subsidiary.....	—	—	—	576	—	—	—	
Decrease (increase) in investments and advances.....	(159)	1,211	17	20	(2)	(21)	(37)	
	<u>11,133</u>	<u>13,079</u>	<u>15,522</u>	<u>48,976</u>	<u>15,104</u>	<u>7,295</u>	<u>8,395</u>	
Funds applied to:								
Net increase in property, plant and equipment resulting from—								
Acquisition of companies.....	—	—	—	9,083	—	—	—	
Exploration and development.	4,207	2,773	5,572	6,362	7,352	3,062	4,845	
Purchase of production and other equipment.....	1,394	2,379	5,017	1,800	1,770	506	671	
	<u>5,601</u>	<u>5,152</u>	<u>10,589</u>	<u>17,245</u>	<u>9,122</u>	<u>3,568</u>	<u>5,516</u>	
Retirement of long term debt...	7,019	7,098	7,046	28,922	4,240	2,617	1,299	
Acquisition of minority interest in subsidiary.....	2,486	—	—	—	—	—	—	
Repayment of gas supply contract advances.....	—	—	—	74	103	—	36	
Refinancing costs.....	—	—	—	454	—	—	—	
	<u>15,106</u>	<u>12,250</u>	<u>17,635</u>	<u>46,695</u>	<u>13,465</u>	<u>6,185</u>	<u>6,851</u>	
Increase (decrease) in working capital for the period.....	(3,973)	829	(2,113)	2,281	1,639	1,110	1,544	
Working capital, beginning of the period.....	1,666	(2,307)	(1,478)	(3,591)	(1,310)	(1,310)	329	
Working capital, end of the period	<u>\$ (2,307)</u>	<u>\$ (1,478)</u>	<u>\$ (3,591)</u>	<u>\$ (1,310)</u>	<u>\$ 329</u>	<u>\$ (200)</u>	<u>\$ 1,873</u>	

See accompanying notes

BP OIL AND GAS LTD.

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Information as at June 30, 1972 and for the six months ended June 30, 1971 and June 30, 1972 is unaudited)

1. Accounting policies

The consolidated financial statements include the accounts of the company and all its subsidiaries.

Prior to 1970 the companies followed the practice of expensing carrying charges on non-producing acreage as incurred and non-productive drilling, exploration and property costs at the time a project was abandoned. Depletion of producing property costs was provided on the unit of production method based on estimated proven reserves of oil and gas for each producing area. Effective January 1, 1970, the companies adopted the full-cost method of accounting whereby all costs related to the exploration for and the development of oil and gas reserves, whether related to productive or non-productive properties, are capitalized. Proceeds received from the disposal of properties are credited against these costs, and the net costs are amortized by the composite unit of production method based on total estimated proven reserves. Had this change been made on January 1, 1969, net income for that year would have been increased by \$1,887,000.

Production and other equipment is being depreciated on a straight line basis over the estimated useful lives of the assets.

2. Investment in other companies

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
Not quoted:		
Key Pipeline Co. Ltd. (joint venture), at cost plus equity in earnings.....	\$ 60	\$ 60
Other shares and debentures, at cost.....	217	217
Quoted:		
British Columbia Oil Lands Ltd., at cost.....	741	741
(market value December 31, 1971—\$2,470,000; June 30, 1972—\$1,976,000)		
	<u>\$1,018</u>	<u>\$1,018</u>

The number of shares held of British Columbia Oil Lands Ltd. represents 34.75% of the total outstanding shares of that company and, consequently, the quoted market value is not necessarily indicative of the amount that could be realized if this investment were sold.

3. Long term debt

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
Bank loans, secured by certain oil and gas properties, payable over a period of five years.....		
6½% Series B Notes payable monthly to July 15, 1980, out of the proceeds of production from certain properties.....	\$ 3,381	\$ 2,993
Current maturities included in current liabilities.....	<u>19,476</u>	<u>17,605</u>
	<u>22,857</u>	<u>20,598</u>
	<u>1,754</u>	<u>794</u>
	<u><u>\$21,103</u></u>	<u><u>\$19,804</u></u>

In addition to the current maturities included in current liabilities at June 30, 1972, it is estimated that further repayments of the 6½% Series B Notes from production proceeds during 1972 will amount to \$1,600,000. Long term debt repayments during the four years subsequent to 1972 are approximately as follows:

1973.....	\$3,681,000	1975.....	\$3,811,000
1974.....	\$3,894,000	1976.....	\$3,439,000

4. Income taxes

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges to income. As a result, no income taxes are payable in respect of income reported for the periods presented.

The companies, in common with many other companies in the oil and gas industry, do not consider it appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of the related charges to income. This practice differs from the tax allocation basis of accounting recommended by the Canadian Institute of Chartered Accountants effective from January 1, 1968, which requires that income taxes be provided for on the basis of income reported in the accounts. From the effective date of that recommendation depreciation claimed for income tax purposes has not been significantly different from that provided in the accounts.

If the tax allocation basis had been followed for timing differences between taxable income and reported income, the increase in deferred income taxes and the reduction in earnings before extraordinary items would have been as follows:

Year ended December 31	(thousands of dollars)	Per share
1967.....	\$1,450	\$.08
1968.....	1,485	.08
1969.....	1,595	.09
1970.....	2,100	.08
1971.....	2,800	.10
Six months ended June 30		
1971.....	1,420	.05
1972.....	1,640	.06

The accumulated deferred income tax credit for current and prior years would have amounted to \$10,340,000 at June 30, 1972 (\$8,700,000 at December 31, 1971).

Accumulated expenditures that remain to be carried forward and applied against future taxable income are as follows:

	December 31, 1971	June 30, 1972
	(thousands of dollars)	
Drilling, exploration and lease acquisition costs.....	\$49,114	\$47,882
Undepreciated capital cost.....	11,985	11,999

5. Share capital

At December 31, 1971 and June 30, 1972 options were outstanding to officers and employees to purchase 37,000 shares at prices ranging from \$3.33 to \$5.31 exercisable annually to January 25, 1976 and a further 145,000 shares were reserved for the granting of future options.

6. Extraordinary items

The extraordinary items recorded during 1970 comprise the following:

Discount on notes purchased for cancellation.....	\$726,000
Refinancing costs.....	(454,000)
Profit on sale of subsidiary company.....	332,000
	<u>\$604,000</u>

Appendix A to the foregoing Information Circular

AGREEMENT made this 17th day of October, 1972.

BETWEEN :

BP CANADA LIMITED, a corporation incorporated under the laws of the Province of Ontario, (hereinafter sometimes called "BP Canada")

OF THE FIRST PART

—and—

BP OIL AND GAS LTD., a corporation incorporated under the laws of the Province of Alberta and continued under the laws of the Province of Ontario, (hereinafter sometimes called "BPOG")

WHEREAS BP Canada was incorporated under the laws of the Province of Ontario by letters patent dated December 17, 1925 under the name Supertest Petroleum Corporation, Limited and its name was changed to BP Canada Limited by articles of amendment which became effective on December 23, 1971;

AND WHEREAS BPOG was incorporated under the laws of the Province of Alberta by certificate of incorporation dated October 17, 1951 under the name Triad Oil Co. Ltd. and its name was changed to BP Oil and Gas Ltd. on June 30, 1970;

AND WHEREAS BPOG was continued under the laws of the Province of Ontario by certificate of continuation which became effective on October 17, 1972;

AND WHEREAS the authorized capital of BP Canada consists of 15,219 5% cumulative redeemable sinking fund preference shares with a par value of \$100 each and 30,000,000 common shares without par value;

AND WHEREAS all of the said 15,219 preference shares of BP Canada are at the date hereof issued and outstanding as fully paid and non-assessable shares and were issued for a consideration of \$1,521,900;

AND WHEREAS 17,268,889 of the said common shares of BP Canada are at the date hereof issued and outstanding as fully paid and non-assessable shares and were issued for a consideration of \$156,746,333;

AND WHEREAS the authorized capital of BPOG consists of 18,602,643.8 common shares without par value of which 10,931,570.8 are at the date hereof issued and outstanding as fully paid and non-assessable shares and were issued for a consideration of \$79,519,414;

AND WHEREAS 7,200,636 of the outstanding common shares of BPOG are beneficially owned by and are registered in the name of BP Canada;

AND WHEREAS each of the parties hereto has made full disclosure to the other of its known assets and liabilities;

AND WHEREAS under the authority conferred by The Business Corporations Act (Ontario) the parties hereto desire and have agreed to amalgamate upon the terms and conditions hereinafter set out and to continue as one corporation;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this agreement the term "Amalgamated Corporation" shall mean the corporation continuing from the amalgamation of the parties hereto.
2. The parties hereto hereby agree to amalgamate under the provisions of Section 196 of The Business Corporations Act (Ontario) and to continue as one corporation upon the terms and conditions hereinafter set out.
3. The name of the Amalgamated Corporation shall be BP CANADA LIMITED.

4. The objects of the Amalgamated Corporation (in this paragraph 4 referred to as the "Corporation") shall be as follows:

- (a) to carry on the business of manufacturing, purchasing, dealing or trading in, selling and distributing, as principals or as agents, whether by wholesale or by retail, petroleum and other oils, natural gas, ozokerite and hydrocarbons of all kinds and of every description and all substances derived from them or in which they are or may be used;
- (b) to prospect, examine, explore, survey and develop the resources of any territories, estates or properties in any part of the world, and with a view thereto to finance, organize, employ, equip and dispatch expeditions, commissions, engineering, mining, geological and other experts and agents, and to prepare or cause to be prepared or assist in or subscribe towards the preparation of any plans, examinations, surveys, reports and specifications of any kind and nature whatsoever;
- (c) to carry on all or any of the businesses of consignees and agents for sale of and dealers in, refiners and transporters of petroleum and other oils of every description and products thereof, chemical manufacturers, carriers, charterers, barge-owners, lightermen, factors and brokers in all or any of their respective branches, and to erect, own and operate refineries, to treat and market or turn to account in any other manner any petroleum or other oil, or any products thereof, or any other fuel and chemicals whether derivatives or compounds of natural gas, petroleum or other oil or of any other nature;
- (d) to search for, obtain, produce, work, exploit, develop, purchase, store, manufacture, treat, render suitable for market or trade, smelt, calcine, refine, handle, carry away, sell, dispose of and deal in or otherwise turn to account petroleum and other minerals, oils, natural gas, asphalt, ozokerite and hydrocarbons of all kinds and their products, metals, coal, ores, fuels and any mineral, vegetable or animal products or substances of every description;
- (e) to invest in shares, stocks, bonds, debentures and other evidences of indebtedness and obligations issued or guaranteed by any corporation, company, chartered bank, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, and evidences of any interest in respect of any such shares, stocks, bonds, debentures and other evidences of indebtedness and obligations and to invest and lend money at interest on the security of personal property or without security and to change or alter any investments;
- (f) to purchase or otherwise acquire and hold real and personal property and rights and, in particular, lands, buildings, hereditaments, business or industrial concerns and undertakings, mortgages, charges, contracts, concessions, franchises, annuities, patents, licences, securities, policies, book debts and any interest in real or personal property and any claims against such property or against any person or company and privileges and choses in action of all kinds;
- (g) to purchase or otherwise acquire and undertake all or any part of the undertaking, assets, business, property, privileges, contracts, rights, obligations and liabilities of any company, corporation, society, partnership or person carrying on any business which the Corporation is authorized to carry on or possessed of property suitable for the objects of the Corporation or of any company or corporation in which the Corporation holds shares, bonds, debentures or other securities or obligations, and to pay for the same in cash or in shares or securities or obligations of the Corporation or partly in cash and partly in shares or securities or obligations or any other consideration, and to carry on the business of any such company, corporation, society, partnership or person whose assets are so acquired;
- (h) to take part in the management, supervision and control of the business or operations of any other company, corporation or undertaking, shares or other securities of which are held by the Corporation or in which the Corporation is otherwise interested, and for such purpose to elect, appoint and remunerate any directors, accountants or other experts or agents;
- (i) to guarantee, with or without security, the performance of contracts and the performance of any obligations or undertakings of any other company, corporation, syndicate, firm, partnership, association, person or enterprise including the payment of dividends, interest, principal and premium, if any, of or on shares, stocks, bonds, debentures, or other securities, mortgages or liabilities of any company, corporation, syndicate, firm, partnership, association, person or enterprise.

5. The authorized capital of the Amalgamated Corporation shall consist of 15,219 5% cumulative redeemable sinking fund preference shares with a par value of \$100 each and 30,000,000 common shares without par value; provided that the said common shares shall not be issued for an aggregate consideration exceeding in amount or value the sum of \$200,000,000 or such greater amount as the board of directors of the Amalgamated Corporation by resolution determines.

6. Upon the amalgamation becoming effective:

- (a) the 7,200,636 issued common shares without par value of BPOG registered in the name of BP Canada shall be cancelled without any repayment of capital in respect thereof;
- (b) the remaining 3,730,934.8 issued common shares without par value of BPOG shall be converted share for share into 3,730,934.8 fully paid and non-assessable common shares without par value of the Amalgamated Corporation;
- (c) the 17,268,889 issued common shares without par value of BP Canada shall be converted share for share into 17,268,889 fully paid and non-assessable common shares without par value of the Amalgamated Corporation;
- (d) the 15,219 issued 5% Cumulative Redeemable Sinking Fund Preference Shares with a par value of \$100 each of BP Canada shall be converted share for share into 15,219 fully paid and non-assessable 5% cumulative redeemable sinking fund preference shares with a par value of \$100 each of the Amalgamated Corporation and the preferences, rights, conditions, restrictions, limitations or prohibitions attaching thereto shall be the class and series provisions set out in the Schedule annexed to and forming part of this agreement, which said provisions are identical with those attaching to the said preference shares of BP Canada as set forth in its supplementary letters patent dated November 10, 1950; and
- (e) the by-laws (including special by-laws) of BP Canada, except where the same may be inconsistent with any provision of this agreement, shall be the by-laws of the Amalgamated Corporation.

7. (1) After the amalgamation becomes effective the shareholders of the parties hereto, when requested by the Amalgamated Corporation to do so, shall surrender the certificates representing the shares held by them respectively for cancellation and in return shall, except in cases where the shares represented by the certificates so surrendered have been cancelled upon the amalgamation becoming effective, be entitled to receive certificates for shares of the Amalgamated Corporation on the basis set out in paragraph 6 hereof.

(2) Each person who, prior to the amalgamation becoming effective, was entitled to a fraction of a common share of either of the parties hereto shall be entitled to the same fraction of a common share of the Amalgamated Corporation. No fractions of common shares of the Amalgamated Corporation shall be issued but each person who would otherwise be entitled to a fraction of a common share of the Amalgamated Corporation shall be entitled to receive a bearer fractional certificate in respect of such fraction. The form and terms of the bearer fractional certificates to be issued in respect of fractions of common shares of the Amalgamated Corporation shall be such as may be approved by the directors of the Amalgamated Corporation but in general shall evidence the right of the bearer to receive, upon surrender of bearer fractional certificates representing in the aggregate one full common share of the Amalgamated Corporation, a certificate representing one common share of the Amalgamated Corporation.

8. The statutory head office of the Amalgamated Corporation shall be situate at Suite 2600, 145 King Street West, in the Municipality of Metropolitan Toronto in the Province of Ontario.

9. The board of directors of the Amalgamated Corporation, until otherwise determined by special by-law, shall consist of fourteen members of whom six shall constitute a quorum for the transaction of business. The first directors of the Amalgamated Corporation shall be the following:

<u>Name</u>	<u>Residence Address</u>
ROBIN WILSON ADAM.....	One Sutton Place South, Apartment 5-C, New York, N.Y.
ALASTAIR FREDERICK DOWN.....	The Hold, Manningford Bruce, Pewsey, Wiltshire, England.
ROBERT MACLAREN FOWLER.....	36 Summit Circle, Montreal, Quebec.
ROBERT WALTER DAWSON HANBIDGE.....	590 Lansdowne Avenue, Montreal, Quebec.
FREDERICK ALLAN MCKINNON.....	2314 7th Street S.W., Calgary, Alberta.
IAN NICHOLSON MCKINNON.....	709 Devonshire House, Rideau Towers, Calgary, Alberta.
JOHN HENDERSON MOORE.....	Dalmagary, R.R. # 3, Ontario.
DEREK FENTON MITCHELL.....	637 Carleton Avenue, Montreal, Quebec.
MONTAGUE MATTISON PENNELL.....	52 Onslow Square, London S.W.7, England.
MAURICE SAUVÉ.....	281 McDougall Avenue, Outremont 153, Quebec.
DAVID EDWARD CHARLES STEEL.....	37 Ormonde Gate, London S.W.3, England.
JOHN ALLYN TAYLOR.....	1117 The Parkway, London 11, Ontario.
JAMES GORDON THOMPSON.....	1674 Louise Blvd., London, Ontario.
PETER INGRAM WALTERS.....	10 Stormont Road, Highgate, London N.6, England.

The said first directors shall hold office until the first annual meeting of the Amalgamated Corporation or until their successors are elected or appointed in accordance with the provisions of The Business Corporations Act (Ontario). The management and operation of the Amalgamated Corporation shall be under the control of the board of directors from time to time subject to the provisions of The Business Corporations Act (Ontario).

10. The officers of the Amalgamated Corporation shall, until changed by the board of directors, be the following:

Chairman of the Board of Directors.....	R. M. FOWLER
President.....	D. F. MITCHELL
Executive Vice-President.....	R. W. D. HANBIDGE
Vice-President, Exploration and Production.....	F. A. MCKINNON
Vice-President, Finance, and Treasurer.....	D. C. SMITH
Vice-President, Supply and Refining.....	J. A. BARCLAY
Vice-President, Legal, and Secretary.....	J. LANGELOIER
Vice-President.....	R. W. MITCHELL

Assistant Secretaries	K. HEALY
	J. I. RAWLINSON
Assistant Treasurers	K. T. ALLISON
	F. D. PYNN
	C. C. SMITH.

11. Meetings of the board of directors and of the executive committee of the Amalgamated Corporation may be held at any place in or outside Ontario and meetings of the shareholders of the Amalgamated Corporation may be held at any place in Ontario or at the City of Montreal in the Province of Quebec or at the City of Calgary in the Province of Alberta.

12. When authorized by special by-law, the directors of the Amalgamated Corporation may:

- (i) borrow money on the credit of the Amalgamated Corporation; or
- (ii) issue, sell or pledge debt obligations of the Amalgamated Corporation; or
- (iii) charge, mortgage, hypothecate or pledge all or any currently owned or subsequently acquired real or personal, movable or immovable property of the Amalgamated Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Amalgamated Corporation;

the words "debt obligations" as used in this clause means bonds, debentures, notes or similar obligations of the Amalgamated Corporation whether secured or unsecured.

13. The Amalgamated Corporation may purchase any of its common shares out of surplus.

14. Each of the parties shall contribute to the Amalgamated Corporation all its assets, subject to its liabilities.

15. The Amalgamated Corporation shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts, disabilities and debts of the parties hereto and each of them.

16. Upon the shareholders of the parties hereto respectively confirming the resolution of their respective boards of directors approving this agreement, this agreement shall become effective and promptly thereafter the parties hereto shall do all things necessary to cause the amalgamation to become effective.

17. The parties hereto may by resolution of their respective boards of directors assent to any alteration or modification of this agreement which the shareholders of the respective corporations at meetings called to consider the same may approve.

IN WITNESS WHEREOF this agreement has been executed by the parties hereto under their respective corporate seals.

BP CANADA LIMITED

by:

C.S.

BP OIL AND GAS LTD.

by:

C.S.

(Copies of the Schedule referred to in paragraph 6(d) of this agreement may be obtained upon request from the Secretary of BP Canada Limited, 245 Pall Mall Street, London, Ontario.)

Appendix B to the foregoing Information Circular

**Proposed resolution to be passed by the Board of Directors of
BP OIL AND GAS LTD.**

BE IT RESOLVED THAT

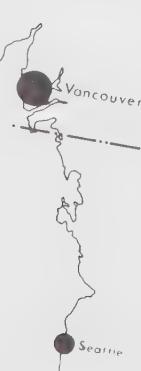
- 1.** the articles of the Corporation be and they are hereby amended to provide that
 - (a) the 35,000,000 issued and unissued shares without nominal or par value in the capital of the Corporation be and the same are hereby redesignated as common shares without par value;
 - (b) the 27,328,927 issued and outstanding shares, redesignated as aforesaid, be and the same are hereby consolidated into 10,931,570.8 issued and outstanding common shares without par value on the basis that each 2½ outstanding shares held by each shareholder of the Corporation on the effective date of this amendment of articles shall become one (1) common share without par value; provided, however, that a shareholder who on the said effective date is the registered holder of a number of shares which is not a whole multiple of 2½ shall not be entitled to be registered as a shareholder in respect of the fraction of a common share resulting from such consolidation but in lieu thereof shall be entitled to receive a bearer fractional certificate representing such fraction of a common share;
 - (c) bearer fractional certificates shall be in such form as the board of directors of the Corporation shall approve, shall be issued initially only upon the surrender to the Corporation of the share certificate or certificates for the outstanding shares without nominal or par value of the Corporation held by the shareholder entitled as aforesaid to a bearer fractional certificate, shall be transferable by delivery, and shall evidence the right of the bearer thereof, upon the surrender of such certificate to the Corporation together with one or more other bearer fractional certificates aggregating a whole common share, to receive a certificate for one common share without par value of the Corporation and a further bearer fractional certificate for the additional fraction of a common share, if any, represented by the fractional certificates so surrendered; the holder of a bearer fractional certificate shall not be entitled in respect of the fraction of a common share represented thereby to any voting rights or to any part of any dividend declared or paid on the common shares of the Corporation; and
 - (d) the authorized capital of the Corporation shall consist of 18,602,643.8 common shares without par value, of which 10,931,570.8 shares shall be issued and outstanding as fully paid and non-assessable shares.
- 2.** Any two officers or any director together with any officer of the Corporation be and they are hereby authorized and directed on behalf of the Corporation to deliver articles of amendment in duplicate to the Minister and to sign and execute all documents and to do all things necessary or advisable in connection with the foregoing.

B R I T I S H
C O L U M B I A

FOOT HILLS

B E L T

A L B E R T A



N. W. T.
D.G.E.

K

Ft. Nelson

J

N

Ft. St. John

H

M

O

B

D

Edmonton

E

Calgary

L

Q

Lethbridge

U

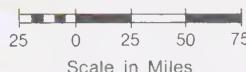


BP Oil and Gas Ltd.
and
BP Canada Limited

WESTERN PROVINCES

LEGEND

- Principal acreage holdings of BPOG as of June 30, 1972
- Principal acreage holdings of BP Canada as of June 30, 1972
- Principal joint acreage holdings as of June 30, 1972
- Gas Field
- Oil Field



AREAS OF EXPLORATORY INTEREST REFERRED TO IN THE INFORMATION CIRCULAR

A - Athabasca Oil Sands	J - West Fort Nelson
B - Atmore - Lodge Lake	K - Petitot - Komie
C - Sunland	L - Stolberg
D - Smoky Lake	M - Sukunka
E - Bittern Lake	N - Chinchaga
F - East Bantry - Tide Lake	O - Meekwap - Sturgeon Lake
G - Cold Lake	P - Stanmore
H - Peace River - Alberta	Q - Lethbridge
I - Peace River - B.C.	

SASKATCHEWAN

M A N.

• Saskatoon

• Regina

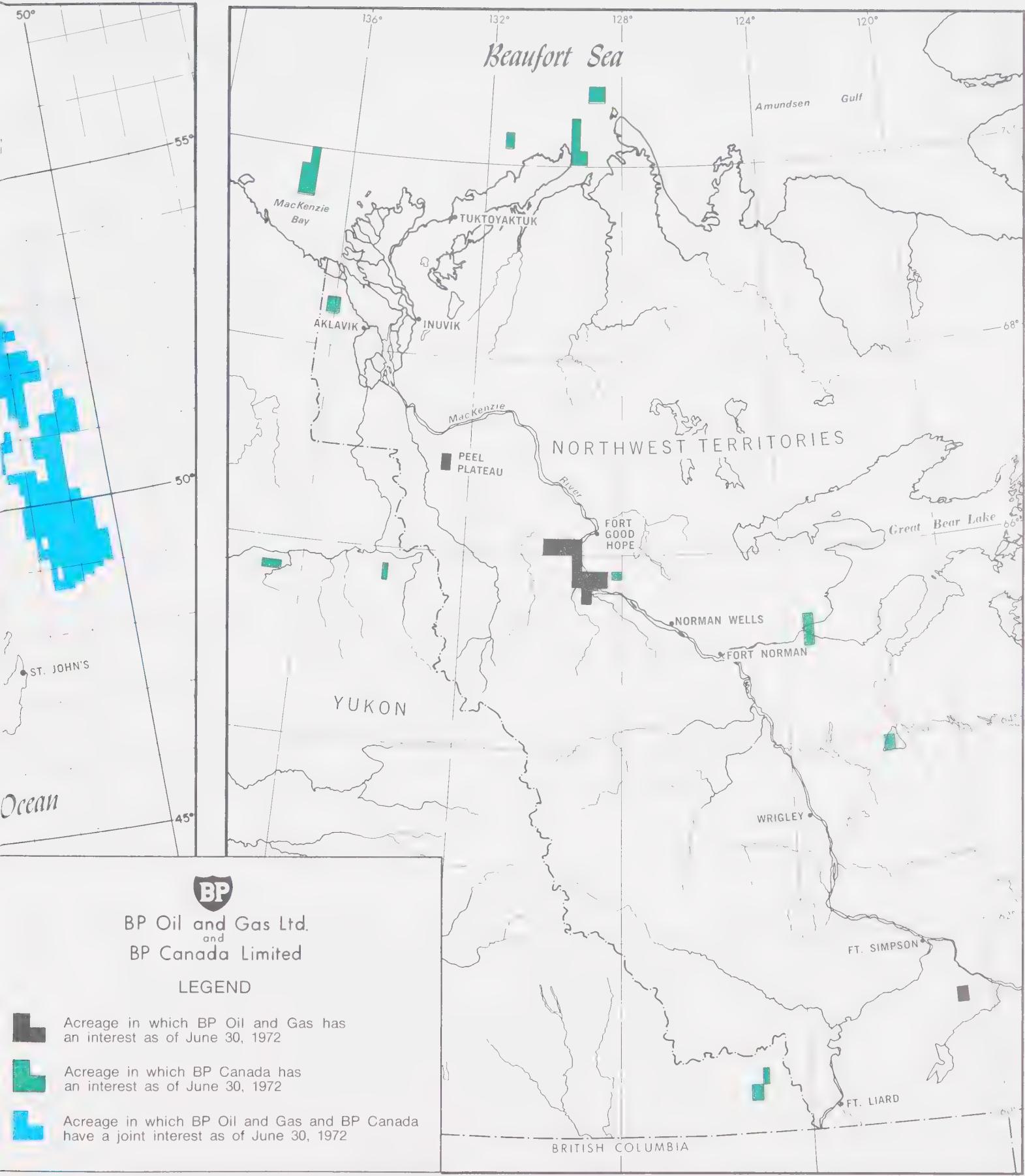
A.

**Eastern Canada
and
N.W.T. - Yukon**



EASTERN CANADA

0 50 100 150 200
Scale in miles



OFFICERS

D. F. MITCHELL
Chairman of the Board

F. A. McKINNON
President

E. W. BEST
Vice-President Operations

K. T. ALLISON
*Treasurer and Vice-President
Finance and Administration*

J. I. RAWLINSON
Secretary

HEAD OFFICE

335 - 8th AVENUE SOUTH WEST
CALGARY 2, ALBERTA

PRINTED IN CANADA
ALGRANET • CALGARY

AR29

BP Oil and Gas Ltd. 

INTERIM REPORT JUNE 30, 1970

TO THE SHAREHOLDERS:

Gross income for the first half of 1970 was \$10,210,000, an increase of some 7% on the corresponding figure for last year.

Net earnings, after providing for depletion of exploration and development costs but before discount on Company Notes purchased under the re-financing, amounted to \$2,932,000 compared to \$2,812,000 recalculated on the full cost method of accounting for the corresponding period in 1969. As advised in the report for the first quarter of this year, the Company has adopted the full cost method of accounting effective January 1, 1970.

Of 27 exploration wells drilled during the half-year, one was an oil well and two were gas wells. Nineteen development wells were drilled of which twelve were oil wells and seven were abandoned.

The Arctic Islands seismic program conducted under the farmout from Panarctic Oils Ltd. was completed. Based on the data obtained, locations will be selected for the drilling of two earning wells in 1971.

Compared to the corresponding period last year, sales of crude oil and natural gas liquids were up from 16,220 to 18,100 barrels per day. The increase was partly due to greater Canadian exports to the United States in the first two months of the year and also because of commencement of production of condensate from the South Kaybob plant. The Kaybob South Unit No. 2 reached full capacity in July with a cycling rate of 160 million cubic feet per day of raw gas, producing 12,800 barrels per day of condensate and 20.7 million cubic feet per day of sales gas. BP's share of this production is presently 15.9% but is subject to some downward adjustment pending final negotiations on unit participation.

Natural gas sales increased by 10% to 63 million cubic feet per day. Sulphur sales increased from 168 to 214 long tons per day but net proceeds were lower due to the continuing low level of world sulphur prices.

The change of name from Triad Oil Co. Ltd. to BP Oil and Gas Ltd. approved by the shareholders at the last Annual General Meeting was put into effect June 30, 1970. On July 13, 1970 the Company moved into new quarters at 335 Eighth Avenue, S.W., Calgary 2, Alberta.

At a meeting on July 21, 1970 the Board of Directors accepted the resignation of Mr. J. H. Porter as President of the Company effective August 20, 1970. Mr. Porter has resigned to take up a position with The Iranian Oil Operating Companies in Iran. To fill the vacancy, Dr. F. A. McKinnon, previously Vice-President and General Manager, has been elected President. In addition, the Board has appointed Dr. E. W. Best as Vice-President, Operations and Mr. K. T. Allison as Vice-President, Finance and Administration.

August 21, 1970
Calgary, Alberta

F. A. MCKINNON
President

BP OIL AND GAS LTD. and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

	Six Months ended June 30	
	1970	1969
		(Note 1)
Production revenue	\$10,121,000	\$9,488,000
Other income	89,000	64,000
	<u>10,210,000</u>	<u>9,552,000</u>
DEDUCT:		
Operating, administrative and general expense	2,699,000	2,238,000
Interest expense	1,515,000	1,704,000
	<u>4,214,000</u>	<u>3,942,000</u>
EARNINGS BEFORE THE FOLLOWING DEDUCTIONS	5,996,000	5,610,000
DEDUCT:		
Depletion, depreciation and amortization	3,064,000	4,245,000
NET EARNINGS BEFORE EXTRAORDINARY ITEM	2,932,000	1,365,000
Discount on purchase of company Notes	653,000	—
NET EARNINGS FOR PERIOD	\$ 3,585,000	\$ 1,365,000
	Per Share	
Cash flow	26.3¢	31.5¢
Net earnings before extraordinary item	12.9¢	7.4¢

NOTE 1: The 1969 figures are those previously reported. If the change to full cost accounting had been effective January 1, 1969, net earnings for the first half of 1969 would have amounted to \$2,812,000 (15.8¢ per share).

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six Months ended June 30	
	1970	1969
SOURCE OF FUNDS:		
Earnings before depletion, depreciation and other items	\$ 5,996,000	\$ 5,610,000
Long term borrowing	800,000	2,625,000
Prepayment on gas supply contract	939,000	—
Proceeds of shares issued	34,373,000	—
	<u>42,108,000</u>	<u>8,235,000</u>

APPLICATION OF FUNDS:

Production and other equipment	1,874,000	2,307,000
Exploration and development expenditure	12,053,000	2,934,000
Reduction in long term debt	25,666,000	5,293,000
Refinancing costs	452,000	—
Increase in investments and advances	38,000	25,000
	<u>40,083,000</u>	<u>10,559,000</u>
Increase (decrease) in working capital	\$ 2,025,000	(\$ 2,324,000)

NOTE 2: The 1970 figures reflect the acquisition from BP Canada (1969) Limited of certain petroleum and natural gas interests and other net assets which were valued independently at \$9,013,000. In consideration for these assets, 1,716,776 shares of the Company were issued to BP Canada (1969) Limited.

OFFICERS

D. F. MITCHELL
Chairman of the Board

F. A. McKINNON
President

E. W. BEST
Vice-President Operations

K. T. ALLISON
*Treasurer and Vice-President
Finance and Administration*

J. I. RAWLINSON
Secretary

HEAD OFFICE

335 - 8th AVENUE SOUTH WEST
CALGARY, ALBERTA T2P 1C9

AR29

BP Oil and Gas Ltd.



INTERIM REPORT JUNE 30, 1972

TO THE SHAREHOLDERS

Net income for the first half of 1972 increased by 17% to \$4,432,000 (16.2¢ per share) compared to \$3,787,000 (13.9¢ per share) in the same period in 1971. Cash flow, at \$8,432,000 (30.8¢ per share) was 15% above the previous year's comparable figure of \$7,306,000 (26.7¢ per share).

The high demand for Western Canadian crude continued into the second quarter. Sales of crude oil and natural gas liquids during the first half increased 8% to 20,800 barrels per day from 19,300 barrels per day in the first half of 1971. Natural gas sales were 3% higher at 73 million cubic feet per day.

During the first half of the year, the Company participated in 31 exploration wells. Seven were gas wells, the most significant being BP et al Gote d-37-D, at Komie, British Columbia, and Gulf Sun BP Stolberg 6-1 in the Alberta foothills. Both wells are encouraging, and further drilling is in prospect. Other gas discoveries were in southern Alberta, and will require further drilling to determine their economic significance.

Notice of election was given to drill the option well on Emerald Island under the Panarctic farmout. This is a 12,000-foot well to be drilled in 1973, in the western part of the Sverdrup Basin. The Company will pay 43.75% of the cost, and will earn approximately 17.5% interest in 235,000 acres on the Island.

BP et al Graham C.52 was abandoned at 10,100 feet without encountering any significant hydrocarbon shows. The Company paid 30% of the well cost and earned 10½% interest in a 227,000-acre block. This well also provides an option to acquire additional interests for a cash payment, and the exercise of this option is presently under review.

BPOG Operations Ltd., the Company's wholly owned subsidiary, has recently entered into an agreement with BP Canada to participate in a mineral exploration program in Canada. The program in 1972 will provide the Company with a 50% interest in properties in British Columbia and in eastern Canada which were previously held solely by BP Canada, and will also extend the joint participation into new prospect areas.

On the East Coast, in the Labrador Sea, the Group commenced a 2,800 mile seismic program on its 13.8 million acre block. Drilling is being planned for 1974. Columbia Gas will pay the cost of the seismic program as part of its 25 million dollar exploration commitment on these permits.

August 10, 1972

F. A. McKINNON
President

BP Oil and Gas Ltd. and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

Six Months
Ended June 30
1972 1971

Production revenue	\$12,239,000	\$11,247,000
Other income	56,000	133,000
	<hr/>	<hr/>
DEDUCT:		
Operating, administrative and general expense	3,180,000	3,163,000
Interest on long term debt	683,000	911,000
	<hr/>	<hr/>
Income before the following deduction	3,863,000	4,074,000
	<hr/>	<hr/>
DEDUCT:		
Depletion and depreciation	4,000,000	3,519,000
	<hr/>	<hr/>
NET INCOME for the period	\$ 4,432,000	\$ 3,787,000
	<hr/>	<hr/>

PER SHARE

Cash flow	30.8¢	26.7¢
Net income	16.2¢	13.9¢
Average shares outstanding	27,328,927	27,320,927

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months
Ended June 30
1972 1971

FUNDS DERIVED FROM:		
Income before depletion and depreciation	\$ 8,432,000	\$ 7,306,000
Issue of share capital	-	10,000
	<hr/>	<hr/>
	8,432,000	7,316,000
FUNDS APPLIED TO:		
Net increase in property, plant and equipment resulting from:		
Exploration and development ..	4,845,000	3,062,000
Purchase of production and other equipment	671,000	506,000
Retirement of long term debt	1,300,000	2,617,000
Repayment of gas supply contract advances	36,000	-
Increase (decrease) in investments and advances	37,000	21,000
	<hr/>	<hr/>
	6,889,000	6,206,000
Increase in working capital	\$ 1,543,000	\$ 1,110,000
	<hr/>	<hr/>